FinED Fiji

A Manual for Teachers

Form 4

Pacific Financial Inclusion Programme
PFIP
UN CDF
Microfinance • Capital Development
Australian AID
UNDP
Empowered lives.
Resilient nations.
Quality Education for Change, Peace and Progress
Rerevaka na Kalou ka doka na Tui

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Vuli the Vonu

1.0 Teachers' Notes

1.1 Background to Fiji Financial Education Curriculum Development Project (FinED Fiji)

Education Sector Strategic Development Plan 2012 - 2014

The Ministry of Education (MoE) is responsible for the design, implementation and evaluation of educational legislation, policies and programmes in Fiji.

The Ministry's Vision for Education is:

"*Quality Education for Change, Peace and Progress."*

The Ministry's Mission is:

"To provide a holistic and empowering education system that enables all children to realize and appreciate fully their inheritance and potential contributing to peaceful and sustainable national development."

The Guiding Principles in the Education Sector Strategic Development Plan 2012 - 2014 emphasise the need for students to be:

- Motivated and trained to be lifelong learners
- Nurtured in order to live and fully participate in the global village
- Better prepared for the world of work where rapid change is inevitable.

Financial Education enables students to develop important life skills which contribute to the Guiding Principles outlined above. While there is no specific policy on Financial Education, there is an understanding of the role it plays in the goals and aspirations the Fiji government has for its people. School-based Financial Education has the potential to positively impact the well-being of families and the wider community of the people of Fiji.

Money Pacific Goals 2020

In 2009, the Money Pacific Working Group (formerly the Coombs Working Party), comprising of central bank governors, Financial Education practitioners and donors, formulated four broad regional goals to achieve the aim of inculcating the region with strong Financial Literacy competency. The goals were entitled "**Money Pacific Goals 2020" and are as follows:**

"In each Pacific Island nation by 2020, through the combined actions of public and private sectors, it is intended that:

- **All school children to receive Financial Education through core curricula**
- All adults to have access to Financial Education
- Simple and transparent consumer protection to be in place
- To halve the number of households without access to basic financial services[1]."

[1] Terms of Reference – Integration of Financial Education in the Fiji Primary and Secondary School Curriculum p. 1.

These goals were subsequently endorsed by the **2009 Forum Economic Ministers Meeting in Rarotonga** and adopted by the **South Pacific Central Bank Governors Meeting in Honiara** the same year.

National Microfinance Workshop

In accordance with the Money Pacific Goals 2020, the Reserve Bank of Fiji, in partnership with the Pacific Financial Inclusion Programme (PFIP) and national stakeholders, organised the National Microfinance Workshop (November 2009), to determine priority actions towards a medium-term financial inclusion strategy for Fiji.

Stakeholders at the workshop agreed that this has to be a nationally coordinated effort that is supported by a variety of financial services providers offering a broad range of relevant, accessible, affordable and cost-effective financial services.

To achieve this goal, priority actions would focus on a number of strategic areas of intervention. Suggested components that could lead to the development of a financially literate community include:

- **The introduction of Financial Competency programmes in the school curriculum at all levels through the MoE**
- Building households' Financial Competency through better coordination of current literacy efforts and increased public and private support of adult Financial Literacy training and the greater use of awareness programs (e.g. a green ribbon campaign or national Financial Literacy week) and the media
- Establishing a baseline dataset for the Financial Competency of Fijian households in order to measure the impact of Financial Literacy efforts.[2]

In order to coordinate and give impetus to the action agenda, a National Financial Inclusion Taskforce (NFIT) was established and chaired by the Governor of the Reserve Bank. Three Working Groups, each chaired by a member of the NFIT, were also established to drive the implementation of the strategic areas.

At the first meeting of the Working Group on Financial Literacy, three priority actions were agreed upon, or substantive work begun, in 2010. These are:

- Preparation of a national Financial Competency building strategy
- Implementation of adult Financial Literacy programmes
- **Integration and strengthening of Financial Education into core school curriculum at primary and secondary school levels.**

FinED Fiji was founded to realise the priority action: **"Integration and strengthening of Financial Education into core school curriculum at primary and secondary school levels".** The project is funded by the Australian Government's Bilateral Aid Program to Fiji (AusAID), and is managed by the MoE, in conjunction with the PFIP. The Technical Advisor for FinED Fiji is the Young Enterprise Trust, a New Zealand organisation that delivers Financial and Enterprise Education in schools.

[2] Terms of Reference – Integration of Financial Education in the Fiji Primary and Secondary School Curriculum pp. 1-3.

Phase One FinED Fiji (December 2010 – July 2011) has included the following activities:

1. The development of a Financial Education Framework for Classes 1-8 and Forms 3-7.
2. The setting up of a Professional Development Group (PDG) which includes membership from the MoE, South Pacific Board for Educational Assessment, PFIP and the Technical Advisors.
3. The appointment of a National Task Manager (NTM), Abigail Chang.
4. An environmental scan of current Financial Education material available in the school and commercial sectors.
5. Streamlining of existing Financial Education materials.
6. Preparation of new materials for Class 3 and Class 4 (primary).
7. Preparation of supporting materials for a Form Four Assessment Task for secondary schools.
8. Identification of Regional Financial Champion Teachers (RCT's) for the project.
9. Professional Development for RCT's on the Financial Education Framework and resources prepared for Phase One class levels.

Phases Two – Four will span August 2011 – December 2012

Phase Two – Four will include the following activities:

1. Preparation of new materials for Classes 5, 6, 7, 8, 1 and 2 (primary).
2. Streamlining of materials for Form Three (secondary).
3. Preparation of assessment tasks for Forms Five and Six (secondary).
4. Professional Development for RFCT's on the Phases Two – Four class levels.
5. Professional Development for RFCT's on the Forms Three, Five and Six.
6. Inserting Financial Education training into tertiary teacher training courses.
7. Monitoring and evaluation.

1.2 Why Financial Education?[3]

Financial Education teaches the management of personal finances and investment given a person's personal circumstances. Financial Education will result in a future generation of financially competent young men and women leaving schools who are able to make informed decisions and to sufficiently manage their personal finances and investments vis-à-vis their own personal circumstances, whilst contributing positively to their communities, the economy and the country.[4]

Acquiring Financial Competence involves more than development of mathematics skills that are traditionally included in the school curriculum, such as recognition of coins and notes, and calculations involving sums of cash. Personal Financial Education promotes social inclusion and helps break the cycle of financial exclusion. Being financially excluded means being cut off from the services and benefits of the financial services industry.

Those who are financially excluded become adept at budgeting by saving bits of money in jars or envelopes. But not only does money stored like this not accrue interest, it is also vulnerable to theft.

Financially excluded households are not able to give children the experience of managing money that others take for granted. There is evidence to suggest that such children go on to become financially excluded themselves. Certainly, "children living in poorer families learn about and experience the economic world differently from their peers in other families."[5] This cycle of exclusion needs to be broken.

If future generations are to become financially competent, it is imperative that Financial Education begins early. This means starting Financial Education as soon as students begin their primary education, building on learning throughout the primary and secondary years of schooling. Not all students complete secondary education, so Financial Education learning at class levels 1-8 and forms 3-7 in the Fiji educational system will be fundamental to realising these goals.

[3] Ambassador Filipe Bole, Minister for Education 2011, National Heritage, Culture & Arts and Youth & Sports.
[4] Money Counts – Developing Financial Capability in the Primary School – p. 7 Financial Services Authority (2000).
[5] Shropshire, J. and Middleton, S. (1999). *Small Expectations: Learning to be Poor* (York: The Joseph Rowntree Foundation).

1.3 What is in this manual?

Resources for Form Four

Teachers' Resource Manual

The Teachers' Resource Manual for Form Four includes:

- Teachers' notes
- Financial Education Framework
- Teaching approaches for Financial Education
- Financial Education lessons
- Financial Education games
- Glossary
- CD – soft copy of all resources provided in the Teachers' Resource Manual.

Resources

The activities provided have an 'integrated approach' to learning for students, i.e. there is not necessarily **one** activity for each of the learning outcomes. The activities engage students in Financial Education learning that often leads to more than one learning outcome, and in many instances integrates and links several curriculum areas (Commercial Studies, English and Mathematics). This approach is endorsed both in the current Fiji curriculum prescriptions, and new draft syllabus (The Fiji Islands National Curriculum Framework).

There are a number of Financial Education learning outcomes within the Personal Finance strand of the Revised Commercial Studies prescription. Whilst there are selected learning outcomes and related lessons that have been provided in this Manual at the Form Four level, the Financial Education activities relating to the Common Assessment Task (CAT) are the Ministry-approved focus for FinED Fiji's engagement at this class level. All other activities provided are optional and are provided as materials for the discretionary use of teachers to support the current Form Four Commercial Studies materials.

The lessons are not designed to cover all the learning outcomes, as teachers will want some flexibility in how they deliver a number of outcomes. It will be important to understand the topic and the lesson activities before undertaking delivery in the classroom. It will also be important to check how the students will record their learning in a cost-effective manner. It may be that resources are provided to each class member. Alternatively, resource worksheets may be photocopied and used on multiple occasions. Another cost-effective way is for teachers to prepare the material in OHT format for screening to a whole class. Financial Education is not designed to be an expensive teaching exercise.

Each topic takes the following approach:

- An overview of student learning for the activity with suggested timeframe
- Resources provided, if required
- The financial learning outcomes for the topic
- Vocabulary students will engage with
- Key concepts
- Teaching and learning sequence

- Assessment activities.

Assessment activities

Prescriptive testing of Financial Education learning is not advocated. Lessons in the series have practical assessment activities that will support the teacher in tracking students' understanding. Checking the accuracy of students' recording in the financial tools (resource sheets, budgets etc) will provide valuable information and assist the teacher in providing effective feedback to students. As the lesson series provide extensive discussion and questioning activities, it is recommended that teachers keep anecdotal notes during the Financial Education learning sessions.

Financial Education aims to bring about changes in behaviour that will have a positive effect on students' management of their personal finances. Students will complete a pre-survey (prior to the commencement of the Financial Education learning), in which they will be asked a range of questions on their knowledge, values and attitudes regarding money management. The survey will be administered again at the completion of the year. The information from the surveys will be used in the monitoring and assessment phases of the project.

Financial Education games

There will be one Financial Education game in the resource package at Form Four level. This game supports the Financial Education learning in the lessons, as well as assisting students to:

- become empowered to make informed judgments and decisions
- gain and apply relevant financial knowledge, skills and values
- become confident with key financial terms and concepts
- recognise financial consequences
- select and use financial tools interactively to achieve financial goals
- understand the importance of time and commitment for achieving financial goals.

These are some of the competency indicators of the Financial Education Framework.

Documents that require printing and/or photocopying are provided as soft copies on the Teachers' Resource Manual CD.

2.0 Financial Education Framework

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2.0 Financial Education Framework

The Financial Education Framework for Classes 1-8 was developed in December 2010 by senior members of the Curriculum Advisory Service (CAS) with assistance from the Technical Advisors. Key components include:

- Common understanding (definition) of what Financial Education is
- Competency indicators
- Concepts and conceptual financial understandings for the competency indicators
- Financial Education Framework diagram
- Financial Education strands, sub-strands and learning outcomes.

2.1 Description and Financial Competencies

Common understanding of 'What Financial Education is'.

Financial Education is learning directed towards the development of Financial Competency.

Competency indicators:

Through Financial Education students will:

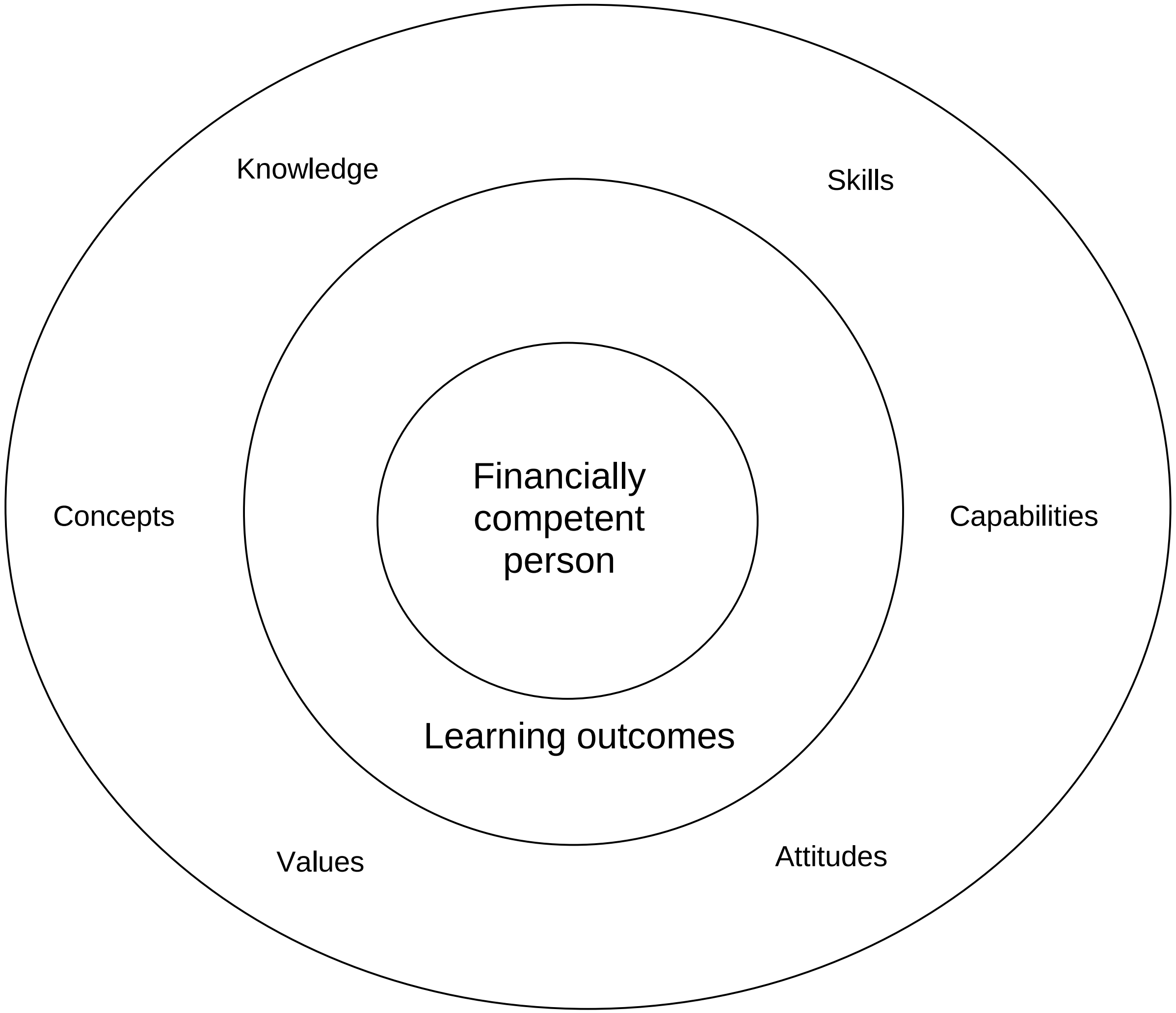
- Become empowered to make informed judgments and decisions
- Gain and apply relevant financial knowledge, skills and values
- Be confident with key financial terms and concepts
- Recognise financial consequences
- Recognise the financial value of cultural wealth
- Select and use financial tools interactively to achieve financial goals
- Understand the importance of time and commitment for achieving financial goals
- Respond wisely to dynamic personal and economic circumstances
- Work towards building community financial well-being and security
- Set and achieve financial goals appropriate to personal and communal values.

Competency Indicators, Concepts and Conceptual Financial Understandings

Competency Indicators	Concepts	Conceptual Financial Understandings
Become **empowered** to make **informed judgments** and **decisions**	**empowered** **informed** **judgments** **decisions**	• People need financial knowledge, skills and values to be **empowered** to make **informed** financial **decisions** • Financially competent people are financially **empowered** people • People bring different values, knowledge and personal **judgments** to financial **decisions** • Financially competent people make financial **decision**s from a range of choices
Gain and **apply** relevant **financial knowledge**, **skills** and **values**	**apply** **financial knowledge** **financial skills** **financial values**	• **Financial knowledge**, **skills and values** are gained through real life experiences and in contexts that are real to students • **Financial knowledge, skills and values** are gained when students **apply** these and experience the consequences of their actions
Be confident with key **financial terms** and **concepts**	**financial terms** **financial concepts**	• Financial concepts frame peoples' thinking, helping them to make **empowered** and **informed financial decisions** • Financial concepts **use terms and language** that are specific to the discipline of money and finance
Recognise **financial consequences**	**financial consequences** (benefits and risks)	• Financial opportunities have **benefits and risks,** and people explore these before making decisions • Good financial decisions bring about the most **benefits** relative to the **risks**
Recognise the **financial value** of **cultural wealth**	**financial value** **cultural wealth**	• A nation's place, heritage and **culture** is unique, and people place a **value** on this uniqueness • People from other places pay money for these experiences

Competency Indicators	Concepts	Conceptual Financial Understandings
Select and use **financial tools** interactively to achieve **financial goals**	**financial tools** **financial goals**	• People use **financial tools** to help them make financial decisions to achieve **financial goals** • **Financial tools** assist people to think critically, helping them bring together financial knowledge and values to make an informed decision • **Financial tools** might include a budget, accounting record such as a bank statement, cash book and balance sheet, savings calculator, interest calculator etc
Understand the importance of **time** and **commitment** for achieving **financial goals**	**time** **commitment** **financial goals**	• Gaining **financial knowledge** and developing financial skills takes **time** and **commitment** in a wide range of financial settings • Personal **financial goals** guide thinking and decision making. Achieving a **financial goal** requires **time**, **commitment,** knowledge and skill
Respond **wisely** to **dynamic personal** and **economic circumstances**	**personal circumstances** **economic circumstances**	• People are astute, active and self-motivated to improve **personal, economic circumstances** • People are astute, active and self-motivated to improve the **economic circumstances** of their nation
Work towards building **community financial well-being** and **security**	**community** **financial well-being** **financial security**	• Good **community financial** decisions lead to **community financial well-being** and **community security** • Financially competent people gain personal and **community financial security**
Set and achieve **financial goals** appropriate to **personal** and **communal values**	**financial goals** **personal values** **communal values**	• **Personal financial goals** reflect **personal** and **communal values** • **Communal values** shape the critical thinking people engage in when setting **financial goals**

Framework Diagram



2.2 Primary Curriculum

Financial strands and sub-strands

The FinED Fiji Financial Education Curriculum Framework is organised in three strands:

- Managing Money
- Income and Wealth
- Planning Ahead.

Within the three strands there are sub-strands. These are outlined below, with some examples of the Financial Education concepts covered.

Strand: Managing Money

Sub-strands:

Money

What money is, needs and wants, prioritising, banking, security, financial transactions e.g. barter.

Spending and budgeting

Budgeting, spending, discounts, financial obligations, financial record-keeping e.g. bank statements.

Saving

Savings options, short-term, medium-term and long-term goals, savings products.

Credit

Credit, debt, borrowing, interest, hire purchase, layby

Strand: Income and wealth

Sub-strands:

Income

Income and income generation, tax, remittances.

Wealth creation

Assets and liabilities

Strand – Planning ahead

Sub-strands

Financial planning

Financial goals, investment, wills, inflation

Financial risk

Financial obligations, managing risk (insurance)

Time, life-style and well-being

Times and deadlines

Financial Education strands, sub-strands and learning outcomes for Classes 1-8

Curriculum links: **Maths and English** **Maths/English/Social Studies and Social Sciences**

		Learning Outcomes			
Strand	**Sub-strand**	**Class 1 and 2**	**Class 3 and 4**	**Class 5 and 6**	**Class 7 and 8**
Managing Money	Money *Money is the medium we use to pay for transactions* *Through price tickets, money is used to value the goods and services people need and want*	• Demonstrate an understanding of the use of 5c - $1 coins for simple financial transactions	• Demonstrate an understanding of the use of coins and notes for financial transactions up to the value of $20	• Demonstrate an understanding of the use of coins and notes for financial transactions up to the value of $50	• Demonstrate an understanding of the use of coins and notes in financial transactions up to the value of $100
		• Give examples of using money for different purposes	• Give examples of the different ways of paying for things e.g. barter, cash, layby, hire purchase	• Give examples of the value of Fiji's currency in relation to other currencies	• Demonstrate ability to recognise and calculate the value of Fiji's currency in relation to other currencies
		• Explain that to withdraw money from the bank we need to have saved the money first	• Explain the different uses of money – paying bills, school fees, church obligations etc	• Explain the tangible value of goods and services e.g. being able to read a transaction receipt	• Explain the concepts of simple and compound interest
		• Demonstrate ability to read and understand simple transaction receipt e.g. bus fare	• Demonstrate ability to read and understand transaction receipts e.g. bus fare, supermarket	• Demonstrate ability to read and understand more complex transaction receipts e.g. passbook, TMO	• Give examples of when interest is incurred e.g. hire purchase, money lenders

		Learning Outcomes			
Strand	**Sub-strand**	**Class 1 and 2**	**Class 3 and 4**	**Class 5 and 6**	**Class 7 and 8**
Managing Money	Spending and budgeting *Managing money is about getting the most value from it* *Making a plan of how we may spend our money (budgeting) helps people to get better value for money*	• Identify things people 'have to' spend money on (needs e.g. food, housing etc)	• Explain how money is used to meet the needs of families	• Describe the regular financial commitments families have to make	• Write a personal or family budget and use financial tools and records to monitor
		• Demonstrate understanding of how to use a small amount of money for personals needs and wants	• Give examples of ways we need to budget for our 'needs' before our 'wants'	• Give examples of how to prioritise needs and wants	
			• Plan a budget for a small activity e.g. birthday party, class meeting/outing	• Write a budget for an activity or event, and keep records of the financial transactions	• Write a personal or family budget and use financial tools and records to monitor the budget

		Learning Outcomes			
Strand	**Sub-strand**	**Class 1 and 2**	**Class 3 and 4**	**Class 5 and 6**	**Class 7 and 8**
Saving	*People have choices to consider with their money: spend, spend and save, save*	• Give examples of things you would choose to spend money on	• Give examples of and compare spending options for a given amount of money	• Identify and evaluate different options for depositing savings	• Identify and compare savings products offered by banks and other savings institutions e.g. credit unions
		• Give examples of things you would need to save for	• Give examples of and compare options for saving money	• Give examples of the differences between various social groups (cultural, gender, socio-economic) in saving and spending	
		• Identify the benefits of saving	• Identify the benefits of setting short, medium and long-term savings goals	• Give examples of what banks do and what their role is in the community	• Give examples of differences between two savings products with regard to risk, interest paid and access to funds
			• Give examples of getting value for money		

		Learning Outcomes			
Strand	**Sub-strand**	**Class 1 and 2**	**Class 3 and 4**	**Class 5 and 6**	**Class 7 and 8**
Managing Money	Credit *Credit is about borrowing money. We can think about debt in terms of good debt and dumb debt*	• Demonstrate understanding that a borrowed item has value e.g. borrowing a pencil from a friend	• Explain what credit is and give examples of using credit to buy things	• Explain how credit and interest works	• Identify some financial consequences of obtaining credit
		• Demonstrate understanding that there are responsibilities on both the borrower and the lender			• Identify some consequences of getting into debt

		Learning Outcomes			
Strand	**Sub-strand**	**Class 1 and 2**	**Class 3 and 4**	**Class 5 and 6**	**Class 7 and 8**
Income and wealth	Income *Income is money we earn from working, saving (interest) and investing (interest and profit)*	• Give examples of ways in which people earn or receive income	• Identify regular and unexpected sources of income	• Identify differences in income for different types of jobs	• Compare income, spending commitments and life-styles at different stages of life
		• Identify ways in which having more or less money has consequences on choices	• Give some examples of different types of tax e.g. income tax, VAT	• Explain what taxes are on income and give some examples of how government uses these taxes	• Compare different taxes e.g. income tax and VAT and their impact on spending and income
					• Explain how income contributes to personal, family and community well-being

		Learning Outcomes			
Strand	**Sub-strand**	**Class 1 and 2**	**Class 3 and 4**	**Class 5 and 6**	**Class 7 and 8**
Planning Ahead	Financial planning *People have future needs and wants that they have to plan for.* *They use financial planning tools.*	• Give some examples of short-term personal goals e.g. purchase a movie ticket, buy some sweets at the shop	• Identify a short-term personal goal (e.g. purchase a book) and write a plan to achieve it through earning and saving money	• Identify a medium-term personal goal (achievable in approx 6-12 months) e.g. purchase a toy, a fashion item etc. Write a plan to achieve it through earning and saving money	• Identify a long-term personal goal e.g. purchasing e.g. a bike, mobile phone. Write a plan to achieve it through earning and saving money
					• Give examples of how financial planning can help you achieve your personal and/or family goals

		Learning Outcomes			
Strand	**Sub-strand**	**Class 1 and 2**	**Class 3 and 4**	**Class 5 and 6**	**Class 7 and 8**
Planning Ahead	Financial planning *People have future needs and wants that they have to plan for. They use financial planning tools.*				• Give examples of how to allocate e.g. a weekly allowance for spending, saving and sharing
Planning Ahead	Financial risk *Every financial decision has benefits and costs. Financial risk is a measure of the potential benefits relative to the potential costs.*	• Demonstrate understanding of how to keep money safe e.g. by giving it to a responsible adult, locking it away or depositing it at the bank	• Identify and compare different ways of keeping money safe e.g. money box versus bank account	• Identify the different types of financial risks that individuals and families face e.g. borrowing money, church obligations	• Identify types of financial risks to individuals, families and communities e.g. traditional obligations, failed businesses and/or investments
		• Identify consequences of losing money or having it stolen e.g. not having the money to pay for bus fare or lunch at school	• Give examples of ways you can reduce the risk of losing or having money stolen	• Give examples of ways you can manage and minimise risks to individuals and families e.g. keep within financial means	• Give examples of ways to manage and minimise risks to individuals, families and communities e.g. seek investment advice from reliable persons

2.3 Forms Three and Four

2.3.1 Form Three Commercial Studies – Personal Finance I (One term)

"Effective Money Management"

Income and Money Management

1. The development and functions of money

Students could demonstrate such knowledge and understandings when they:

(a) Describe the development of money including different forms of money (cheques, EFTPOS, credit card payments);

(b) Describe the qualities of money;

(c) Apply the qualities of money to the Fijian dollar.

2. Methods of payment

Students could demonstrate such knowledge and understandings when they:

(a) Describe how the barter system works;

(b) Describe how money facilitates personal transactions;

(c) Compare the advantages and disadvantages of using cash rather than cheques for payment of expenses;

(d) Describe the function and use of documentation for banking activity (including remittances and money transfers);

(e) Compare and contrast different methods used for payment of expenses such as EFTPOS, credit card, mobile banking;

(f) Describe the features of electronic banking (eBank).

3. How consumers earn their income

Students could demonstrate such knowledge and understandings when they:

(a) Identify ways (including entrepreneurial activity) in which people can earn an income or times when money is received as gifts, or receive cash as a loan;

(b) Describe the different sources of income (earned and unearned) for individuals and households;

(c) Interpret documents related to sources of income (including deductions – documents to include payslips, remittance receipts, bank statement entries);

(d) Explain the importance that remittances from overseas have on household incomes.

4. How to manage personal finances

Students could demonstrate such knowledge and understandings when they:

(a) Describe the different parts which make up a personal/family budget;

(b) Identify the source documents which are evidence of income and expenditure items of a budget;

(c) Interpret documents related to the spending of income (including VAT – documents to include invoices for household expenses such as telephone, school fees, transportation, electricity, water meter, shopping dockets, receipts for other payments);

(d) Identify ways to keep personal financial records;

(e) Prepare a budget for an individual and a family.

5. The benefits of spending income wisely

Students could demonstrate such knowledge and understandings when they:

(a) Construct a budget for spending income wisely;

(b) Evaluate different alternatives of spending using the decision making process;

(c) Identify opportunity costs related to making specific purchasing decisions;

(d) Identify the factors which influence decision making such as income levels, personal values, beliefs, obligations and priorities;

(e) Identify the external economic factors, beyond the control of the individual, which influence decision making;

(f) Identify what records, such as bank statements, are useful in order to develop money management capability;

(g) Identify and explain methods for spending income wisely such as buying in bulk, conserving and recycling;

(h) Utilise budgets to control and manage individual/family spending;

(i) Investigate the impact of unplanned spending.

6. How money is managed over time

Students could demonstrate such knowledge and understandings when they:

(a) Identify personal expenses for different living situations and at different life-stages;

(b) Explain the role of budgets in managing spending and saving in the short and medium term;

(c) Set up a savings programme for both short and long-term goals;

(d) Monitor the savings programme to achieve the short-term goal;

(e) Demonstrate the impact of inflation on income.

7. How banks help personal financial management

Students could demonstrate such knowledge and understandings when they:

(a) Identify different ways for keeping money safe, such as school banking or banking activities in rural areas;

(b) Describe how banks can help personal money management, providing a range of services for changing needs;

(c) Describe the steps for opening a bank account, including the need to have a Tax Identification Number (TIN).

8. Issues and trends in personal finance

Students could demonstrate such knowledge and understandings when they:

(a) Identify three prudent money management practices for two different communities in Fiji;

(b) Identify issues that have arisen for Fiji people for personal finance (access to banking facilities, increase in VAT, flow of cash, lack of financial understanding);

(c) Apply solutions to the identified financial issues;

2.3.2 Form Four Commercial Studies – Personal Finance II (One term)

1. Managing finances related to individual and family events

Students could demonstrate such knowledge and understandings when they:

(a) Classify the different expenditures (especially cultural and belief expenditures) relevant to different events which affect individuals living in Fiji;

(b) Prioritise needs and aspirations within the boundaries of a finite income;

(c) Identify a range of principles of good financial management;

(d) Discuss values and ethical factors which impact upon decisions;

(e) Explore ways in which needs and aspirations may be financed;

(f) Identify ways of maximising income for an individual and a family;

(g) Describe how income contributes to well-being;

(h) Evaluate the benefits and costs of a non-financial nature which influence decision making for such events.

2. Managing credit

Students could demonstrate such knowledge and understandings when they:

(a) Identify the advantages and disadvantages of borrowing;

(b) Identify different sources of borrowing, including financial institution lending, hire purchase, money lenders, store lending, and family;

(c) Compare and contrast the costs of buying on credit, from a range of lenders, buying with cash and layby arrangements;

(d) Understand the need to plan and manage debt (for example, discounts for prompt payment, paying on time, paying required amount in full);

(e) Show the impact of increasing debt on current and future spending options;

(f) Describe the impact of credit costs, traditional obligations and credit timeframes on different forms of credit arrangements;

(g) Describe what is meant by credit worthiness and the implications of a credit history;

(h) Identify the difference between good and bad debt, and manageable and unmanageable debt.

3. The need to protect against financial risk

Students could demonstrate such knowledge and understandings when they:

(a) Identify possible risks for loss of value in your family's property (for example, accidents, fire, flood, theft, water damage, loss of income, natural disasters)

(b) Describe the principles of insurance as a ways of reducing risk;

(c) Investigate which insurance types are available and the most popular in Fiji;

(d) Investigate a range of financial institutions which offer insurance cover;

(e) Investigate changing risk management needs at various life-stages and in relation to income and wealth.

4. Risk and return in relation to popular financial products

Students could demonstrate such knowledge and understandings when they:

(a) Investigate generic financial products available to young people in the short and medium term;

(b) Research the risk and returns involved in investment products, possibly including the sharemarket;

(c) Investigate the terms and conditions of investments that are offered by a range of financial institutions;

(d) Give examples of different rights and responsibilities in relation to financial products;

(e) Compare the risk and return from savings and investment products over time.

5. Why and how people invest income

Students could demonstrate such knowledge and understandings when they:

(a) Investigate different ways of investing income to create wealth, including superannuation;

(b) Investigate and compare interest rates and terms over time;

(c) Employ a tool to demonstrate the benefits of compound interest;

(d) Demonstrate the impact of inflation on wealth;

(e) Demonstrate the impact of tax on wealth;

(f) Demonstrate the impact of tax on income;

(g) Demonstrate the impact of tax on cash receipts.

6. Financial planning for the future

Students could demonstrate such knowledge and understandings when they:

(a) Investigate life-stage related financial events;

(b) Investigate how life styles and life-stages influence choices of financial products;

(c) Determine factors that influence individuals' investment decisions (include values, beliefs and attitudes);

(d) Demonstrate the longer-term financial consequences of decision making;

(e) Show various savings commitments for different sorts of items and how decisions for these differ;

(f) Compare long-term savings goals and trade-offs with short-term goals;

(g) Draw up a simple investment plan;

(h) Monitor the implementation of the investment plan.

2.4 Senior Secondary Forms Five and Six

The following learning outcomes have been placed into Forms Five & Six Economics, Accounting, English and Maths.

Economics

1. Credit history and credit records

Students could demonstrate such knowledge and understandings when they:

(a) Make informed decisions about the purpose and use of credit;
(b) Explain the long-term implications of credit arrangements, getting into debt and possible consequences;
(c) Compare the financial and non-financial implications of spending now with spending later;
(d) Explain the importance of establishing a good credit history;
(e) Describe ways to avoid or correct credit problems;
(f) Explain the purpose of a credit record;
(g) Identify borrowers' credit report rights;
(h) Identify ways that a negative credit report can affect a consumer's financial future.

2. Sources of advice

Students could demonstrate such knowledge and understandings when they:

(a) Identify available credit advice agencies available in another country.

3. Income decisions

Students could demonstrate such knowledge and understandings when they:

(a) Identify and evaluate alternative forms of income;
(b) Identify one's own income potential;
(c) Identify a career goal and develop a plan and timetable for achieving it, including education/training requirements, costs and possible debt;
(d) Make an informed decision relating to personal income in the context of a life-stage or a life event;
(e) Identify the impact of changes in income;
(f) Evaluate consequences of a decision relating to personal income.

4. Banking and financial services

Students could demonstrate such knowledge and understandings when they:

(a) Identify products and services offered by banking and financial institutions;
(b) Describe specialised and/or ancillary products and services offered by banking institutions and their purpose;
(c) Describe access mechanisms and security issues for general products and services;
(d) Evaluate costs and benefits of the services offered;
(e) Select and justify the most appropriate account for a given situation.

5. Personal financial planning

Students could demonstrate such knowledge and understandings when they:

(a) Investigate possible income shocks/disruptions to earning an income and prepare a response;

(b) Analyse how external factors such as economic, socio-cultural and regulatory factors can affect income and career potential;

(c) Analyse life-styles possible at different income levels;

(d) Explain the effect of inflation on income;

(e) Use a financial or online calculator to determine the future income needed to maintain a current stand of living;

(f) Identify the factors that affect net worth;

(g) Calculate and analyse a person/family's net worth;

(h) Analyse the income value of intangible assets.

Personal Accounting

1. Money management

Students could demonstrate such knowledge and understandings when they:

(a) Explain the components, format and process for developing a budget;

(b) Describe factors affecting take-home pay;

(c) Design a balanced budget for a person/family to meet financial goals;

(d) Identify the place of savings in a budget;

(e) Modify the budget to reflect changing circumstances and/or goals and priorities.

2. Financial record keeping

Students could demonstrate such knowledge and understandings when they:

(a) Interpret financial documents by identifying the purpose, sender/originator, contact details and other relevant information;

(b) Reconcile financial document information with personal records to verify accuracy and legitimacy;

(c) Describe actions required to correct inaccuracies;

(d) Develop a filing system for keeping financial records, both paper and electronic;

(e) Evaluate different transaction instruments and relate them to personal requirements;

(f) Describe record keeping features that financial institutions provide for online account management.

(g) Demonstrate skill in basic financial tasks, including scheduling bill payments, writing a cheque, reconciling bank statements and monitoring printed or online account statements for accuracy.

English

1. The nature of credit

Students could demonstrate such knowledge and understandings when they:

(a) Describe credit (the power to obtain goods and services with an obligation on the borrower of future payment to the source of credit);

(b) Explain why credit imposes an opportunity cost on borrowers and lenders;

(c) Explain the difference between credit, debt and income;

(d) Explain how debit cards differ from credit cards and charge cards;

(e) Give examples of interest rates and terms of credit arrangements;

(f) Describe the risks and costs of alternative forms of credit;

(g) Give two examples of "easy access" credit;

(h) Identify two different types of mortgage lenders and two different types of mortgage loans.

2. Legal aspects of credit

Students could demonstrate such knowledge and understandings when they:

(a) Describe the rights and responsibilities of the user and issuer of credit in accordance with the Consumer Credit Act 1974;

(b) Complete a typical credit card application accurately.

Mathematics

1. Calculate the costs of credit

Students could demonstrate such knowledge and understandings when they:

(a) Using a financial or online calculator, compare the total cost of borrowing for a purchase between $500 and $15,000, for three different types of credit;

(b) Given an "easy access" loan amount and a two-week borrowing fee, calculate the interest rate for the loan period and its annual equivalent;

(c) Show, by examples of calculations, how the interest rate and loan length affect the cost of credit.

(d) Give examples to measure the total cost of credit, including the hidden costs, not the interest rate only;

(e) Employ a tool to calculate and evaluate different savings and debt options and match debt with the future value of purchases;

(f) Use a tool to demonstrate the benefits of early repayment.

> "The Ministry will continue to revise these learning outcomes as part of its normal processes."

3.0 Financial Education Teaching Approaches

Vuli the Vonu

3.0 Financial Education Teaching Approaches

3.1 Telling a story

Telling a story is a useful way to gather information, issues and ideas from the community about a financial topic. This teaching technique works well for topics such as budgeting, saving, methods of payment (including credit cards), taxation, credit and borrowing, investment, banking and insurance.

In advance, students go out in to the community and find a story about the topic under discussion. They could approach family, friends, neighbours or workmates.

For the sake of the interviewees' comfort, emphasise to the student that the dollar value is not to be the key focus of the story.

Emphasis is to be placed on:

- The event
- Why it happened
- What kind of product/financial activity was involved
- Why the person had/did not have the product or did not do the activity
- How the person felt about the outcome
- Any changes the person would make to the situation as a result of the event.

The students share their stories in class, giving opportunity for comments from other class members.

Assessment

Students choose one or more of the situations discussed and create a list of points that they would need to take into consideration when dealing with a future situation.

3.2 Treasure hunt

All sorts of activities can be classed as Treasure Hunts. One form of Treasure Hunt is for students to search for specific information (internet, pamphlets, newspapers etc). Another form is to use a pre-planned sheet and search for a person who shows particular behaviours or particular attitudes. The behaviours can relate to a number of financial topics.

The example below has a list of behaviours, beliefs and attitudes, with a different one inserted into each square. To demonstrate to the class that people have varying behaviours, beliefs and attitudes about saving, a list of widely found behaviours in the community has been placed in the squares on the page.

Students then talk to their fellow class members about their saving behaviours in order to place a name in each square and fill up the page (a little like Bingo).

The class members could do this activity outside of their own classroom to get a wider picture of financial behaviours etc.

Assessment

Students could analyse the range of behaviours, and identify possible incentives for changing or reinforcing behaviours.

Find a person who … (saves)

Because I don't like relying on others and I don't like being held back by lack of money	Because I cannot do some things without a large sum of money to start with	Because I want to build up a reserve fund in case something unexpected happens
Because I am extremely careful with my money. I don't like spending very much	Because I want more money to spend in the future	Because it is a habit
Because I might not always be in the financial position that I am now	Because I like the idea of leaving money to my family when I am dead	Because I like to see my money grow with interest being added over time

3.3 Life-cycle/life-stage activities

Students find it difficult to think ahead and plan ahead for the long term. It has been said that people can see as far ahead as they have already lived. So a 13 year old may be able to think as far ahead as being 26 years old.

Life-cycle activities provide the students with opportunities to experience in a visual manner what life could look like. These activities are often suitable for groups as it gives students an opportunity to discuss different life patterns.

Approach

1. Provide a large (A3) sheet of paper and draw a line horizontally through the middle of the page.
2. Evenly space years 0-100 across the page.

0	10	20	30	40	50	60	70	80	90	100

YEARS

3. Prepare a selection of cards that have situations/events/activities written on them. The situations can be general or specific to a particular topic e.g. saving and investment.
4. Students place life-cycle cards along the line according to their expectation of when a particular event is likely to happen.

N.B. It is important that students recognise that some events:

- **Can occur more than once**
- **May not occur**
- **May occur in a non-conventional way**
- **May be group-specific events.**

5. Students report back to the class to explain and justify their life-cycle decisions. Teachers could set the criteria for reporting back in advance.

Assessment

Students brainstorm and record the financial or planning decisions that they would need to make if they were going to manage each event well.

Example: $10,000 saved in a bank account by the time you wish to travel overseas.

3.4 Language games

One of the elements of Financial Competency is a certain level of ability in the language of money and financial activities. As students learn about day to day money management, they will come across terms and concepts with which they may be unfamiliar. As they learn about financial planning and investing, financial language can become even more specific.

Familiarisation with financial language is important. Adults may feel excluded from the financial system because of their inability to understand financial language and concepts. It is important that teachers help their students gain capability in financial language as well as financial numeracy. These two areas are often regarded as critical to money management.

Language can be learnt through games. A Glossary is provided in the Manual with terms and definitions for selection.

Bingo

Provide a range of bingo cards (suggest 5 x 5) with a financial term in each square of a card. There will be 25 terms on each card, but each card's terms will be different.

Call out definitions of the terms on the cards one at a time.

Students place a piece of paper on top of a square where the term's definition has been called out.

The first person to get all their squares covered up with all definitions correct wins.

Incomplete sentences

Put half a definition on one piece of paper and the remainder of the definition on another piece. Students get half a definition each and have to find the other half.

Scrambled sentences

Words in a definition are mixed up. The sentence is unscrambled and then the term that matches the definition is identified.

Wordfinds

An easy version of this is to have the terms listed in the wordfind. A more complex version is to provide the definitions with the corresponding terms being located in the word find. Pass the wordfinds around the class.

Crosswords

Similar to above. Make up your own crossword using www.puzzle-maker.com or www.puzzlefast.com/teach or www.discoveryeducation.com/teachers.

Trivial Pursuits competition

A team competition where each round is based on a different topic e.g. saving, banking, managing risk etc.

Play Fish

Prepare two sets of cards. One card has a term written on it, the other card has a definition written on it. Students then work in pairs, matching up the cards from an up-side-down pool of cards.
Alternatively, use the cards for silent swapping. Students match up their term and definition card and drop out of the "silent circle" when they have their pair.

Assessment

Right/wrong type questions can be used as a traditional test. Marks can be awarded.

3.5 Scenarios about decision making

Money management is not cut and dried. There are consequences to financial decisions and often there are non-financial consequences which are just as powerful as financial consequences.

Here are some examples of the type of activity. Make up your own examples or you can modify these.

A family wins a trip to Disneyland

Paul and Anna, parents of three children (10, 12, 16 years old) win a trip to Disneyland for four people (two adults, two children). The holiday value is $10,000. The family recently purchased a new home, increasing the mortgage repayments substantially. The cost of taking one extra child is $3,000.

Should the family:

(a) Cash in the holiday (cash value $4,000);

(b) Take the extra child, for which they need to borrow the money ($3,000);

(c) Leave one child behind?

An overseas funeral

Samu lives with his family in New Zealand. He has just been made redundant from work. His grandmother suddenly dies in Fiji and the family is required to return home for the funeral. This would probably cost the family $6,000 in airfares and funeral expenses.

Should the family:

(a) Make the journey together;

(b) Send only Samu (which would cost slightly less);

(c) Send a cash contribution?

The wedding gift

Avinesh and Shalini have known each other for four years and, much to the delight of both their families, they have decided to get married. Shalini's parents' wedding gift is $20,000, which they can use for any purpose.

Should they:

(a) Have the fairy-tale wedding that Shalini has always dreamed of;

(b) Use it as a deposit on their first home;

(c) Update their clapped-out car?

That overseas experience

Anaseini has been contributing to a superannuation scheme for the past eight years. Her cash payout immediately would be $10,000. If she kept contributing to the scheme for another two years, her cash payout would be $15,000. If the scheme was to continue to maturity, this would provide her with security for retirement. Her best friend has decided to travel the world and has asked Anaseini to travel with her. To do this, she needs to cash in her superannuation.

Should she:

(a) Cash in the fund now and travel the world, having a wonderful time with her friend;

(b) Wait two years for the larger payout, and go overseas without her friend;

(c) Start a savings plan, goal specific to travel, and go at some indefinite time later when she has sufficient funds?

Financing tertiary education

Fazim is leaving school and is reluctant to get a student loan. However, he recognises the need for further education. He wants to study a business course at a tertiary institution and the fees are likely to be $3,000 a year. He will need to afford living costs as well.

Should he:

(a) Decide to take out a loan after all to cover the costs (fees and living costs);

(b) Borrow from his parents;

(c) Work for a year and study the following year?

Transport dilemma

Kitione believes he needs “wheels” to get to University, instead of catching the bus. To pay for this he will have to take a part-time job after classes. He knows this will clash with his academic commitments.

Should he:

(a) Buy the car, knowing the potential opportunity cost;

(b) Continue to catch the bus;

(c) Save towards the car and take out a loan once he has saved enough for the deposit for the car?

Activity pattern

Read through the scenario and list the financial consequences for each option.

Identify the short-term and long-term consequences if applicable.

List the non-financial consequences for each option.

Assessment

(a) Use the decision making process to identify which option would be most desirable;

(b) Alternatively, propose an alternative decision with its consequence;

(c) Apply this decision making process to a personal scenario.

Describe a personal financial scenario where this decision making process could be used.

Identify the financial consequences (both long and short term)

Identify the best decision for the scenario.

4.0 Financial Education Lessons

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4.1 Managing finances related to individual and family events

Learning Outcomes

Students could demonstrate such knowledge and understandings when they:

(a) Classify the different expenditures (especially cultural and belief expenditures) relevant to different events which affect individuals living in Fiji;

(b) Prioritise needs and aspirations within the boundaries of a finite income;

(c) Identify a range of principles of good financial management;

(d) Discuss values and ethical factors which impact upon decisions;

(e) Explore ways in which needs and aspirations may be financed;

(f) Identify ways of maximising income for an individual and a family;

(g) Describe how income contributes to well-being;

(h) Evaluate the benefits and costs of a non-financial nature which influence decision making for such events.

Activity: The Budget Challenge

Suggested time: up to five lessons.

Resources

Four sign-off sheets.

Vocabulary

Income	Expenses	Needs
Aspirations	Priorities	Budget
Well-being	Non-financial benefits	Non-financial costs.

The Budget Challenge

You have $500 to make a budget for an event for your family.

The event is to take place over one day only and is to be around a religious or ethnic celebration.

There are to be no more than 20 people at the event.

Exercise A

To start off, here are some ideas about budgets:

- *"It's clearly a budget. It's got a lot of numbers in it."* George W. Bush
- *"A budget should reflect the values and priorities of our nation and its people."* Mary Landrieu
- *"A budget tells us what we can't afford, but it doesn't keep us from buying it."* William Feather
- "*We didn't actually overspend the budget. The allocation simply fell short of our expenditure."* Keith Davis
- *"Annual income twenty pounds, annual expenditure nineteen pounds nineteen shillings and sixpence, result happiness. Annual income, twenty pounds, annual expenditure twenty pounds nought and sixpence, result misery."* Mr Micawber in *David Copperfield*

Student discussion

Describe what a budget is.

What is the purpose of a budget?

How would a budget reflect values and priorities?

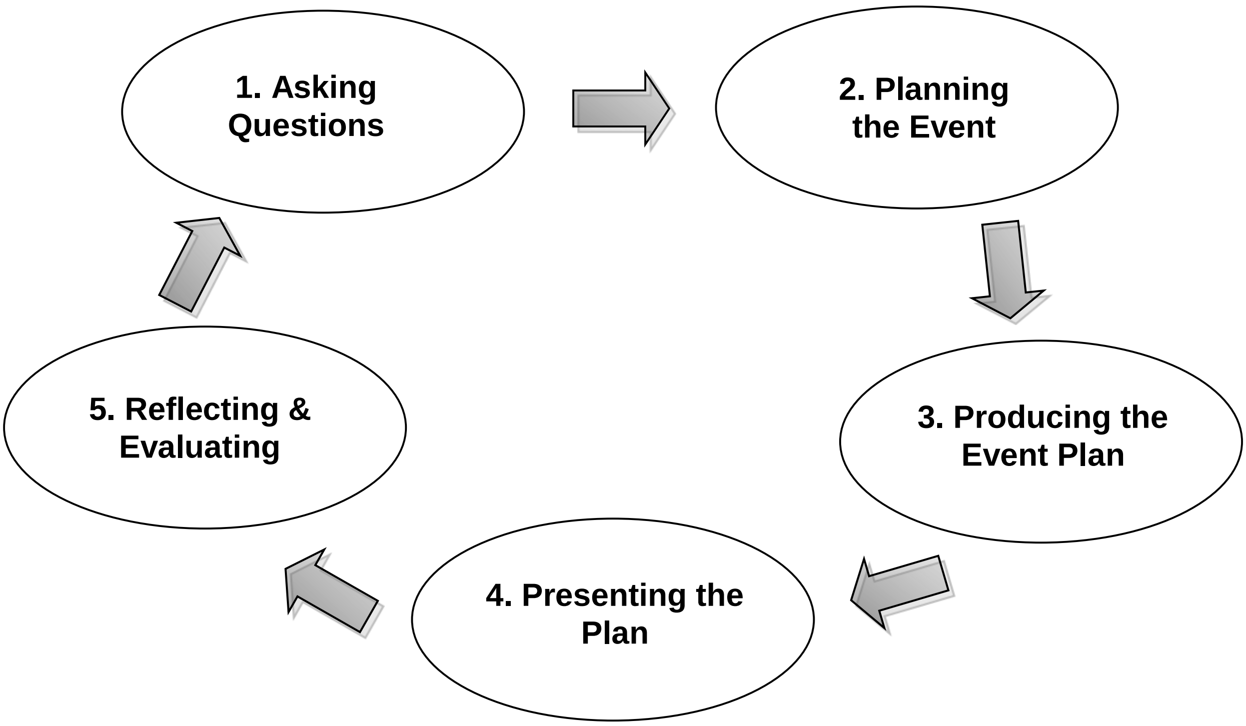
Exercise B

Now on to the practical activity:

Information for teachers

There are five phases for this activity. Four of the five phases have a “sign-off” sheet for the students to complete before they progress to the next phase. The sign-off sheets follow a description of the phases.

The Challenge Process



Adapted from the Durham University Model

Challenge Phases

1. Asking questions

This phase is about setting the parameters for the activity (classroom rules) and for the event (what the students are expected to do). It is the main information - giving (teacher-directed) component. At this stage, teachers and students agree on what will be assessed and the marking criteria and schedule. The teacher outlines the nature of the budget challenge and the rules that will apply. The students form teams to complete the activity (suggested team maximum size is no more than seven students, preferably five).

Students complete the phase one sign-off sheet. This commits them to a particular event, location, size of family group and spending limit. (Template One)

2. Planning the event

Students undertake a decision making exercise to plan their event. In teams, they go through a brainstorming exercise, looking at options about how to put the event on. Students identify detailed options on the nature of the event, the expenses, ways of financing it, and meeting the teacher requirements as outlined in the start-up phase.

Students complete the Phase Two sign-off sheet. (Template Two)

3. Producing the plan

The event plan is outlined and culminates in the budget. Students address issues such as needs, aspirations and priorities, recognising and explaining the disagreement between the principles of good financial management, values and ethical factors upon which decisions are made.

The presentation is to answer the event-related questions of what, when, who, where, why and for whom.

Students complete the Phase Three sign-off sheet. (Template Three)

4. Presenting the plan

Students explain their event, and how the budget reflects their decisions. Students are marked on their presentation and their explanations. The plan could be presented to staff or to their parents for comments and questions.

5. Reflecting and evaluating

This phase is conducted for two reasons:

- To determine each group's performance against its own plans and targets; and
- To provide an opportunity for students to reflect on the experience.

Students reflect on their decisions and evaluate if the event was measurable on a range of measurements e.g. achievable within the time limit, realistic, financially possible, acceptable to the group etc. They evaluate the benefits and costs of a non-financial nature which influence can decision making for such an event.

Students complete the Phase Five sign-off sheet. (Template Four)

Assessment

Team assessment

1.	Handing in each sign-off sheet (five marks per completed sheet)	10%
2.	Budget reflected the ideas in the plan	35%
3.	Group presentation	20%
	Individual student assessment	35%
		100%

Suggested teacher marking structure for individual assessment

(0-5 marks per questions, band marking)

0 = is unable to answer this question

1 = answered the question, but answer showed no progress towards competency

2 = showed a beginner level of knowledge and skill

3 = showed capability, has an understanding of the idea but is unable to explain application

4 = showed competency, able to place in context

5 = showed advanced level of competency.

Students provide written answers, based on the Budget Challenge, showing they can:

- Classify the different expenditures (especially cultural and belief expenditures) relevant to their chosen event
- Prioritise needs and aspirations within the boundaries of a finite timeframe
- Recognise and explain the conflict between the principles of good financial management, values and ethical factors upon which decisions are made
- Explore ways in which needs and aspirations may be financed
- Describe how income contributes to well-being
- Evaluate the benefits and costs of a non-financial nature which influence decision making for such events.

Template One

Sign-off Sheet – Phase One

Asking questions phase

Team Name: ……………………………………..

Team members

Event:

Location/venue:

Size of group:

Composition of group:

Spending limit:

Signed

Team leader (name):

Signature:

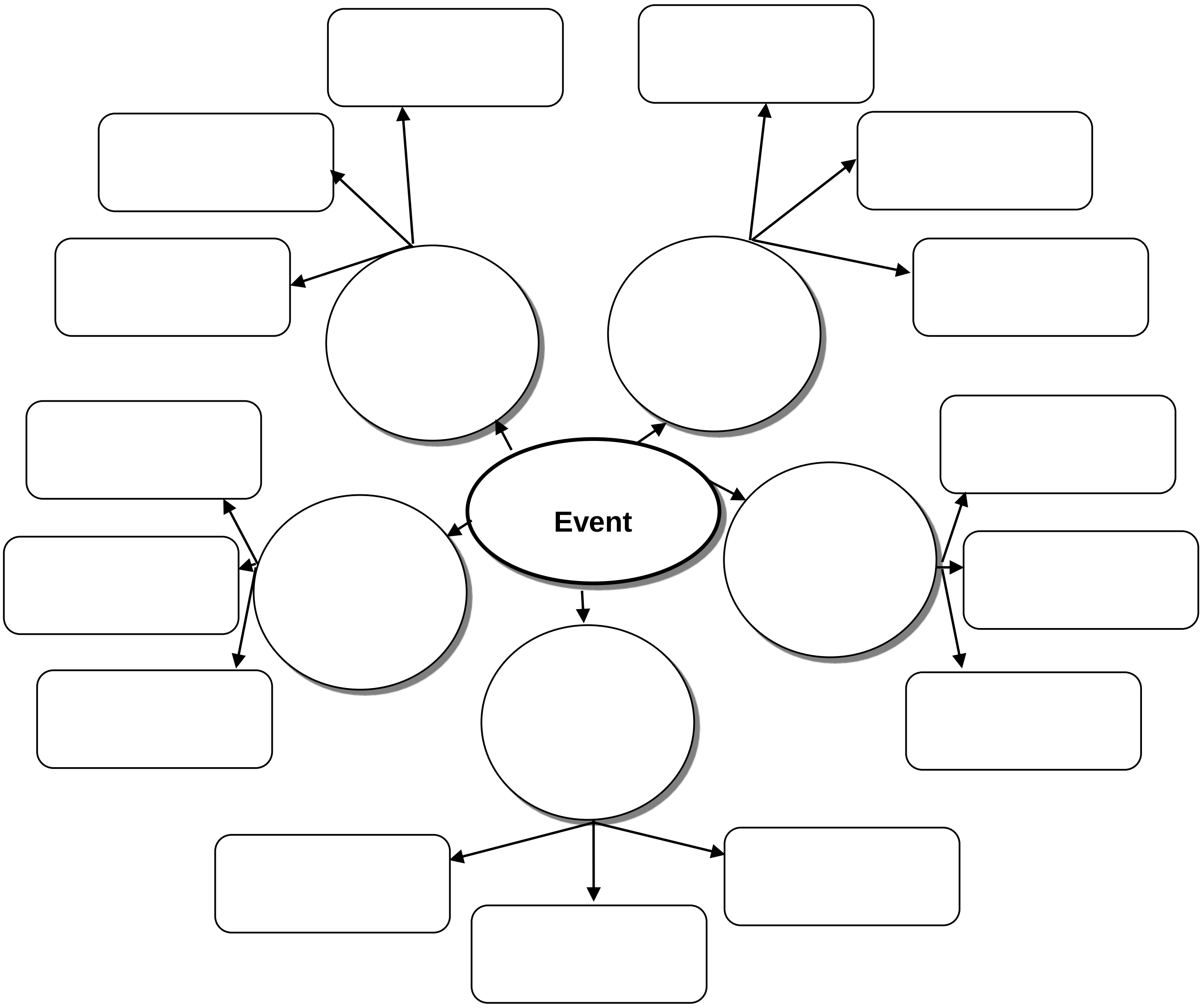
Teacher sign-off:

Template Two

Sign off Sheet – Phase Two

Planning the event phase

Brainstorm mind-map



Signed

Team and leader (name):

Signature:

Teacher sign-off:

Template Three

Sign-off Sheet – Phase Three

Producing the plan phase

What	
When	
Who	
Where	
Why	
For whom	

Needs, wants and priorities list

Needs	Wants	Priorities

Areas of disagreement

The Event Budget

Income	**$**
Expenses	
Surplus	

Signed

Team and leader (name):

Signature:

Teacher sign-off:

Template Four

Sign-off Sheet – Phase Five

Reflecting and evaluating phase

List at least one decision that was made at each phase

Asking questions phase

Decision

Consequences of that decision

Planning the event phase

Decision

Consequences of that decision

Producing the event plan phase

Decision

Consequences of that decision

Presenting the plan phase

Decision

Consequences of that decision

Reflecting and evaluation phase

Decision

Consequences of that decision

Signed

Team and leader (name):

Signature:

Teacher sign-off

Individual assessment

1. Give four examples of how you classified different expenditures (especially cultural and belief expenditures) relevant to your chosen event.

2. Explain why you prioritised your needs and aspirations within the boundaries of a finite timeframe the way you did.

3. Discuss the disagreement between the principles of good financial management, values and ethical factors upon which decisions are made and explain how you came to your decisions.

4. Identify the factors upon which decisions are made.

5. How did you explore ways in which needs and aspirations may be financed?

6. Describe how income contributes to well-being.

7. Evaluate the benefits and costs of a non-financial nature which influence decision making for such events.

If you were doing this activity again, what one thing would you personally do differently?

The one thing I would do differently would be:

What was the best thing about the project?

The best thing about the project was:

What do you think was your overall personal contribution to the overall performance of your team?

Grade yourself on the continuum below.

Justify what you have given yourself this grade.

No contribution   Outstanding contribution

0 1 2 3 4 5 6 7 8 9 10

(circle a number to indicate which end you were near)

And this is because:

....

....

....

....

....

If you were doing this again, what is one thing would you personally do differently?

The one thing I would do differently would be:

What was the best thing about the project?

The best thing about the project was:

What do you think was your overall personal contribution to the overall performance of your team? Grade yourself on the continuum below. Justify why you have given yourself this grade.

No contribution Outstanding contribution

0 1 2 3 4 5 6 7 8 9 10

(circle a number to indicate which end you were near)

And this is because:

4.2 Managing credit

Learning Outcomes

Students could demonstrate such knowledge and understandings when they:

(a) Identify the advantages and disadvantages of borrowing;

(b) Identify different sources of borrowing, including financial institution lending, hire purchase, money lenders, store lending and family;

(c) Compare and contrast the costs of buying on credit, from a range of lenders, buying with cash and layby arrangements;

(d) Understand the need to plan and manage debt (for example, discounts for prompt payment, paying on time, paying required amount in full);

(e) Show the impact of increasing debt on current and future spending options;

(f) Describe the impact of credit costs, traditional obligations and credit timeframes on different forms of credit arrangements;

(g) Describe what is meant by credit worthiness and the implications of a credit history;

(h) Identify the difference between good and dumb/bad debt, and manageable and unmanageable debt.

Activity: Managing credit

Suggested time: As required.

Resources

Credit Crunch game with supporting documents.

Spendometer examples for coffee, petrol, pre-pay top-up, scooter, trainers, big screen TV.

Finance Rate Repayment Table.

Vocabulary

Credit	Borrowing	Hire purchase
Money lenders	Store lending	Credit costs
Layby	Credit timeframes	Traditional obligations.

Lesson One

What do you know about credit?

Try these out.

1. I didn't have the cash with me so I had to use ________________ to buy the car.
2. There is going to be a ________________ ________________ that I will have to pay, because I used my credit card yesterday.
3. I couldn't pay all my course fees at tertiary, so I had to get a student ________________.
4. The cost of using someone else's money is called ________________.
5. I've borrowed so much money lately I am in a huge amount of ________________.
6. I've signed my name to a document and entered into a ________________ with a loan company.

7. My ________________ ________________ is great, because I've always paid my bills on time.
8. She never has any money. She is always ________________ from me to buy her lunch.

(Words to insert – loan, contract, interest, borrowing, credit, credit worthiness, debt, future cost.)

Would you give credit to these people? Why or why not?

Mereseini

Mereseini is a career woman. She has her own clothing business. She is successful, has her own house and a car. She wants to buy a home entertainment system.

Should credit be available to her?

What questions would you ask Mereseini?

1.

2.

Mr Sitivatu

Mr Sitivatu has just lost his job. He wants a large screen TV to entertain himself. His only source of money at the moment is his Fiji National Provident Fund (FNPF) savings.

Can he expect to get access to credit?

Mr and Mrs Tori

Mr and Mrs Tori have not lived in Fiji very long, but they are establishing themselves in their new home. They need some new furniture and they have seen some advertised on interest-free terms for six months.

As the store credit controller, what details would you need to know about this couple?

1.

2.

Joshua

Joshua is a Year 12 student. He earns $20 a week at his part-time job after school. He wants to buy an MP3 player.

Do you think he should have credit?

Person	Credit?	Comments
Mereseini		
Mr Sitivatu		
Mr and Mrs Tori		
Joshua		

Students to discuss what credit is and the fact that it has to be paid back.

Identify (list and describe) different sources of borrowing, including financial institution lending, hire purchase, money lenders, store lending and family.

Lesson Two

Use the Spendometer documents sourced in 2011 from the website of New Zealand's Commission for Financial Literacy and Retirement Income (www.sorted.org.nz) to compare different ways of buying things, including different options for credit. Please note the Spendometer is no longer available on www.sorted.org.nz.

Should an item be bought on credit or not?

Products include:

- Coffee
- Petrol
- Pre-pay top-up
- Scooter
- Trainers
- TV.

The Spendometer examples are shown on pages 62-104.

Students to:

1. Identify a range of credit options, including store cards, six months interest-free, hire purchase, variety of easy payment options, credit card, mortgage). Use newspapers and junk mail if available.
2. Match the need and desirability for buying on credit with stage of life.
3. Evaluate the reasons for buying on credit.
4. Research a range of credit agreements, including hire purchase and credit cards. List the credit obligations.

You bought a *$4.00 coffee* with *cash*

	Cash	EFTPOS	Credit card	Cheque
Total Cost	$4	$4	$4.87 for 3 months term	$4.25
Cost increase %	0%	0% +	21.70% for 3 months term	6.25%
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Bank fees may apply to clear the cheque

Choose a different product   Pay with a different method

Sorted money tips:

1. Save on bank fees - withdraw cash whenever you pay by EFTPOS.
2. Have you thought about the 'opportunity cost' of using cash? You could be missing out on the interest you could be earning if you left the money to grow in a high-interest savings account.
3. Remember some retailers refuse to accept cheques.
4. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a *$4.00 coffee* with *EFTPOS*

	Cash	EFTPOS	Credit card	Cheque
Total Cost	$4	$4	$4.87 for 3 months term	$4.25
Cost increase %	0%	0% +	21.70% for 3 months term	6.25%
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Bank fees may apply to clear the cheque

Choose a different product   Pay with a different method

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You bought a *$4.00 coffee* with *a credit card*

	Cash	EFTPOS	Credit card	Cheque
Total Cost	$4	$4	$4.87 for 3 months term	$4.25
Cost increase %	0%	0% +	21.70% for 3 months term	6.25%
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Bank fees may apply to clear the cheque

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You bought a *$4.00 coffee* with *a credit card*

	Cash	EFTPOS	Credit card	Cheque
Total Cost	$4	$4	$5.70 for 6 months term	$4.25
Cost increase %	0%	0% +	42.59% for 6 months term	6.25%
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Bank fees may apply to clear the cheque

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4. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a *$4.00 coffee* with *a credit card*

	Cash	EFTPOS	Credit card	Cheque
Total Cost	$4	$4	$7.37 for 12 months term	$4.25
Cost increase %	0%	0% +	84.18% for 12 months term	6.25%
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Bank fees may apply to clear the cheque

Choose a different product | Pay with a different method

Sorted money tips:

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You bought a *$4.00 coffee* with *a cheque*

	Cash	EFTPOS	Credit card	Cheque
Total Cost	$4	$4	$4.87 for 3 months term	$4.25
Cost increase %	0%	0% +	21.70% for 3 months term	6.25%
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Bank fees may apply to clear the cheque

Choose a different product

Pay with a different method

Sorted money tips:

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4. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought *$100 worth of petrol* with *cash*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$100	$100	$103.76 for 3 months term	$108.17 for 3 months term
Cost increase %	0%	0% +	3.76% for 3 months term	8.17% for 3 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product   Pay with a different method

Sorted money tips:

1. Banks may charge 15c to 50c every time you use your EFTPOS card. There are ways to pay no fees at all by switching accounts or juggling the way you pay - such as by cash or credit card.
2. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought *$100 worth of petrol* with *EFTPOS*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$100	$100	$103.76 for 3 months term	$108.17 for 3 months term
Cost increase %	0%	0% +	3.76% for 3 months term	8.17% for 3 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product

Pay with a different method

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2. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought *$100 worth of petrol* with *a credit card*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$100	$100	$103.76 for 3 months term	$108.17 for 3 months term
Cost increase %	0%	0% +	3.76% for 3 months term	8.17% for 3 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product

Pay with a different method

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2. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought *$100 worth of petrol* with *a credit card*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$100	$100	$106.80 for 6 months term	$108.17 for 3 months term
Cost increase %	0%	0% +	6.80% for 6 months term	8.17% for 3 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product   Pay with a different method

Sorted money tips:

1. Banks may charge 15c to 50c every time you use your EFTPOS card. There are ways to pay no fees at all by switching accounts or juggling the way you pay - such as by cash or credit card.
2. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought *$100 worth of petrol* with a *credit card*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$100	$100	$112.95 for 12 months term	$108.17 for 3 months term
Cost increase %	0%	0% +	12.95% for 12 months term	8.17% for 3 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product

Pay with a different method

Sorted money tips:

1. Banks may charge 15c to 50c every time you use your EFTPOS card. There are ways to pay no fees at all by switching accounts or juggling the way you pay - such as by cash or credit card.
2. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought *$100 worth of petrol* with *a store card*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$100	$100	$103.76 for 3 months term	$108.17 for 3 months term
Cost increase %	0%	0% +	3.76% for 3 months term	8.17% for 3 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

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2. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought *$100 worth of petrol* with *a store card*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$100	$100	$103.76 for 3 months term	$115.18 for 6 months term
Cost increase %	0%	0% +	3.76% for 3 months term	15.18% for 6 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

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2. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought *$100 worth of petrol* with *a store card*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$100	$100	$103.76 for 3 months term	$129.18 for 12 months term
Cost increase %	0%	0% +	3.76% for 3 months term	29.18% for 12 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product

Pay with a different method

Sorted money tips:

1. Banks may charge 15c to 50c every time you use your EFTPOS card. There are ways to pay no fees at all by switching accounts or juggling the way you pay - such as by cash or credit card.
2. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a *$30 PrePay topup* with *cash*

	Cash	EFTPOS	Credit card	Direct debit
Total Cost	$30	$30	$31.65 for 3 months term	$30
Cost increase %	0%	0%	5.50% for 3 months term	0% +
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	One off set up cost, depending on your bank this could anywhere from 40c to $5

Choose a different product   Pay with a different method

Sorted money tips:

1. Automatic payments(APs) and direct debits can be a good way to pay as you may be entitled to early pay discounts. But do remember banks sometimes charge a small fee to set up APs or direct debit.
2. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a *$30 PrePay topup* with *EFTPOS*

	Cash	EFTPOS	Credit card	Direct debit
Total Cost	$30	$30	$31.65 for 3 months term	$30
Cost increase %	0%	0%	5.50% for 3 months term	0% +
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	One off set up cost, depending on your bank this could anywhere from 40c to $5

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2. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a *$30 PrePay topup* with *a credit card*

	Cash	EFTPOS	Credit card	Direct debit
Total Cost	$30	$30	$31.65 for 3 months term	$30
Cost increase %	0%	0%	5.50% for 3 months term	0% +
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	One off set up cost, depending on your bank this could anywhere from 40c to $5

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2. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a *$30 PrePay topup* with *a credit card*

	Cash	EFTPOS	Credit card	Direct debit
Total Cost	$30	$30	$33.08 for 6 months term	$30
Cost increase %	0%	0%	10.28% for 6 months term	0% +
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	One off set up cost, depending on your bank this could anywhere from 40c to $5

Choose a different product

Pay with a different method

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2. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a *$30 PrePay topup* with *a credit card*

	Cash	EFTPOS	Credit card	Direct debit
Total Cost	$30	$30	$35.96 for 12 months term	$30
Cost increase %	0%	0%	19.87% for 12 months term	0% +
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	One off set up cost, depending on your bank this could anywhere from 40c to $5

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You bought a *$30 PrePay topup* with *a direct debit*

	Cash	EFTPOS	Credit card	Direct debit
Total Cost	$30	$30	$31.65 for 3 months term	$30
Cost increase %	0%	0%	5.50% for 3 months term	0% +
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	One off set up cost, depending on your bank this could anywhere from 40c to $5

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2. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a *$3000 scooter* with *cash*

	Cash	Cheque	Hire Purchase	Personal loan
Total Cost	$3000	$3000.25	$3,272.98 for 12 months term	$3,483.01 for 12 months term
Cost increase %	0%	0.008%	9.1% for 12 months term	16.10% for 12 months term
		Fee per cheque	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free	Based on 18% per annum interest rate, loan approval fee $50, loan insurance $150

Choose a different product | Pay with a different method

Sorted money tips:

1. Check out full cost of borrowing with the Hire purchase calculator, or the Car loan calculator, which works for personal loans as well.
2. Use lay-by rather than credit if you don't have the money to pay now. That way you don't pay interest.
3. Always check out all the fees before signing any finance deal.
4. EFTPOS may not be available as a payment option on big tickets items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

You bought a *$3000 scooter* with *a cheque*

	Cash	Cheque	Hire Purchase	Personal loan
Total Cost	$3000	$3000.25	$3,272.98 for 12 months term	$3,483.01 for 12 months term
Cost increase %	0%	0.008%	9.1% for 12 months term	16.10% for 12 months term
		Fee per cheque	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free	Based on 18% per annum interest rate, loan approval fee $50, loan insurance $150

Choose a different product

Pay with a different method

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You bought a *$3000 scooter* with *hire purchase*

	Cash	Cheque	Hire Purchase	Personal loan
Total Cost	$3000	$3000.25	$3,272.98 for 12 months term	$3,483.01 for 12 months term
Cost increase %	0%	0.008%	9.1% for 12 months term	16.10% for 12 months term
		Fee per cheque	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free	Based on 18% per annum interest rate, loan approval fee $50, loan insurance $150

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4. EFTPOS may not be available as a payment option on big tickets items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

You bought a *$3000 scooter* with *hire purchase*

	Cash	Cheque	Hire Purchase	Personal loan
Total Cost	$3000	$3000.25	$3,626.03 for 24 months term	$3,483.01 for 12 months term
Cost increase %	0%	0.008%	20.87% for 24 months term	16.10% for 12 months term
		Fee per cheque	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free	Based on 18% per annum interest rate, loan approval fee $50, loan insurance $150

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3. Always check out all the fees before signing any finance deal.
4. EFTPOS may not be available as a payment option on big tickets items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

You bought a *$3000 scooter* with *a personal loan*

	Cash	Cheque	Hire Purchase	Personal loan
Total Cost	$3000	$3000.25	$3,272.98 for 12 months term	$3,483.01 for 12 months term
Cost increase %	0%	0.008%	9.1% for 12 months term	16.10% for 12 months term
		Fee per cheque	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free	Based on 18% per annum interest rate, loan approval fee $50, loan insurance $150

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4. EFTPOS may not be available as a payment option on big tickets items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

You bought a *$3000 scooter* with *a personal loan*

	Cash	Cheque	Hire Purchase	Personal loan
Total Cost	$3000	$3000.25	$3,272.98 for 12 months term	$3,756.14 for 24 months term
Cost increase %	0%	0.008%	9.1% for 12 months term	25.20% for 24 months term
		Fee per cheque	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free	Based on 18% per annum interest rate, loan approval fee $50, loan insurance $150

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3. Always check out all the fees before signing any finance deal.
4. EFTPOS may not be available as a payment option on big tickets items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

You bought a *$3000 scooter* with *a personal loan*

	Cash	Cheque	Hire Purchase	Personal loan
Total Cost	$3000	$3000.25	$3,272.98 for 12 months term	$4,040.12 for 36 months term
Cost increase %	0%	0.008%	9.1% for 12 months term	34.67% for 36 months term
		Fee per cheque	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free	Based on 18% per annum interest rate, loan approval fee $50, loan insurance $150

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2. Use lay-by rather than credit if you don't have the money to pay now. That way you don't pay interest.
3. Always check out all the fees before signing any finance deal.
4. EFTPOS may not be available as a payment option on big tickets items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

You bought a pair of *$200 trainers* with *cash*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$200	$200.00 (plus any fee per transaction)	$206.77 for 3 months term	$210.85 for 3 months term
Cost increase %	0%	0 +	3.39% for 3 months term	5.4% for 3 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product   Pay with a different method

Sorted money tips:

1. Paying by credit card can be a good option. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a pair of *$200 trainers* with *EFTPOS*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$200	$200.00 (plus any fee per transaction)	$206.77 for 3 months term	$210.85 for 3 months term
Cost increase %	0%	0 +	3.39% for 3 months term	5.4% for 3 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product | Pay with a different method

Sorted money tips:

1. Paying by credit card can be a good option. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a pair of *$200 trainers* with a *credit card*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$200	$200.00 (plus any fee per transaction)	$206.77 for 3 months term	$210.85 for 3 months term
Cost increase %	0%	0 +	3.39% for 3 months term	5.4% for 3 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product | Pay with a different method

Sorted money tips:

1. Paying by credit card can be a good option. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a pair of *$200 trainers* with *a credit card*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$200	$200.00 (plus any fee per transaction)	$212.10 for 6 months term	$210.85 for 3 months term
Cost increase %	0%	0 +	6.05% for 6 months term	5.4% for 3 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product   Pay with a different method

Sorted money tips:

1. Paying by credit card can be a good option. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a pair of *$200 trainers* with *a credit card*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$200	$200.00 (plus any fee per transaction)	$222.92 for 12 months term	$210.85 for 3 months term
Cost increase %	0%	0 +	11.46% for 12 months term	5.4% for 3 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product | Pay with a different method

Sorted money tips:

1. Paying by credit card can be a good option. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a pair of *$200 trainers* with *a store card*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$200	$200.00 (plus any fee per transaction)	$206.77 for 3 months term	$210.85 for 3 months term
Cost increase %	0%	0 +	3.39% for 3 months term	5.4% for 3 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product | Pay with a different method

Sorted money tips:

1. Paying by credit card can be a good option. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a pair of *$200 trainers* with *a store card*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$200	$200.00 (plus any fee per transaction)	$206.77 for 3 months term	$219.88 for 6 months term
Cost increase %	0%	0 +	3.39% for 3 months term	9.9% for 6 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product   Pay with a different method

Sorted money tips:

1. Paying by credit card can be a good option. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a pair of *$200 trainers* with *a store card*

	Cash	EFTPOS	Credit card	Store card
Total Cost	$200	$200.00 (plus any fee per transaction)	$206.77 for 3 months term	$238.02 for 12 months term
Cost increase %	0%	0 +	3.39% for 3 months term	19% for 12 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based on 18% per annum interest rate , transaction cost of 50c, annual fee $20, over term of 3/6 months

Choose a different product   Pay with a different method

Sorted money tips:

1. Paying by credit card can be a good option. If you pay your credit card balance in full at the end of each month, this is a cheap way to pay.

You bought a *$1400 big screen TV* with *cash*

	Cash	EFTPOS	Credit card	Hire Purchase
Total Cost	$1400	$1400	$1,442.91 for 3 months term	$1,635.64 for 12 months term
Cost increase %	0%	0% +	3.06% for 3 months term	16.8% for 12 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free

Choose a different product   Pay with a different method

Sorted money tips:

1. Check out full cost of borrowing with the Hire purchase calculator, or the Car loan calculator, which works for personal loans as well.
2. EFTPOS may not be available as a payment option on big ticket items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

You bought a *$1400 big screen TV* with *EFTPOS*

	Cash	EFTPOS	Credit card	Hire Purchase
Total Cost	$1400	$1400	$1,442.91 for 3 months term	$1,635.64 for 12 months term
Cost increase %	0%	0% +	3.06% for 3 months term	16.8% for 12 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free

Choose a different product | Pay with a different method

Sorted money tips:

1. Check out full cost of borrowing with the Hire purchase calculator, or the Car loan calculator, which works for personal loans as well.
2. EFTPOS may not be available as a payment option on big ticket items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

You bought a *$1400 big screen TV* with *a credit card*

	Cash	EFTPOS	Credit card	Hire Purchase
Total Cost	$1400	$1400	$1,442.91 for 3 months term	$1,635.64 for 12 months term
Cost increase %	0%	0% +	3.06% for 3 months term	16.8% for 12 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free

Choose a different product   Pay with a different method

Sorted money tips:

1. Check out full cost of borrowing with the Hire purchase calculator, or the Car loan calculator, which works for personal loans as well.
2. EFTPOS may not be available as a payment option on big ticket items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

You bought a *$1400 big screen TV* with a *credit card*

	Cash	EFTPOS	Credit card	Hire Purchase
Total Cost	$1400	$1400	$1,475.75 for 6 months term	$1,635.64 for 12 months term
Cost increase %	0%	0% +	5.41% for 6 months term	16.8% for 12 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free

Choose a different product

Pay with a different method

Sorted money tips:

1. Check out full cost of borrowing with the Hire purchase calculator, or the Car loan calculator, which works for personal loans as well.
2. EFTPOS may not be available as a payment option on big ticket items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

You bought a *$1400 big screen TV* with a *credit card*

	Cash	EFTPOS	Credit card	Hire Purchase
Total Cost	$1400	$1400	$1,542.65 for 12 months term	$1,635.64 for 12 months term
Cost increase %	0%	0% +	10.19% for 12 months term	16.8% for 12 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free

Choose a different product | Pay with a different method

Sorted money tips:

1. Check out full cost of borrowing with the Hire purchase calculator, or the Car loan calculator, which works for personal loans as well.
2. EFTPOS may not be available as a payment option on big ticket items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

You bought a *$1400 big screen TV* with *hire purchase*

	Cash	EFTPOS	Credit card	Hire Purchase
Total Cost	$1400	$1400	$1,442.91 for 3 months term	$1,635.64 for 12 months term
Cost increase %	0%	0% +	3.06% for 3 months term	16.8% for 12 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free

Choose a different product   Pay with a different method

Sorted money tips:

1. Check out full cost of borrowing with the Hire purchase calculator, or the Car loan calculator, which works for personal loans as well.
2. EFTPOS may not be available as a payment option on big ticket items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

You bought a *$1400 big screen TV* with *hire purchase*

	Cash	EFTPOS	Credit card	Hire Purchase
Total Cost	$1400	$1400	$1,442.91 for 3 months term	$1,834.00 for 24 months term
Cost increase %	0%	0% +	3.06% for 3 months term	31% for 24 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free

Choose a different product   Pay with a different method

Sorted money tips:

1. Check out full cost of borrowing with the Hire purchase calculator, or the Car loan calculator, which works for personal loans as well.
2. EFTPOS may not be available as a payment option on big ticket items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

You bought a *$1400 big screen TV* with *hire purchase*

	Cash	EFTPOS	Credit card	Hire Purchase
Total Cost	$1400	$1400	$1,442.91 for 3 months term	$2,051.74 for 36 months term
Cost increase %	0%	0% +	3.06% for 3 months term	20.2% for 36 months term
		Bank fees may apply	Annual fee for card, charge interest to unpaid balance monthly, charge interest on cash advances daily	Based 24% per annum interest rate, start up fees of $150, annualised other fee $50, over term of 12/24/36 months with 6 month interest free

Choose a different product

Pay with a different method

Sorted money tips:

1. Check out full cost of borrowing with the Hire purchase calculator, or the Car loan calculator, which works for personal loans as well.
2. EFTPOS may not be available as a payment option on big ticket items as most EFTPOS cards have a daily spend limit of $1000 to $2000.

Spendometer

Item	Cost ($)	Method of payment	Actual cost ($)
1.			
2.			
3.			
4.			
5.			

Introduce students to the concept of purchasing items on credit, especially store lending and hire purchase.
Include the concept of interest.
Credit checklist.

(Examples of) Questions for a student research activity:

- What do you need to show to be eligible for consumer credit?
- What are the reasons people's credit applications are turned down?
- Why would people applying for credit need to supply information such as income, age and qualifications?
- What are the key items people usually use consumer credit for?
- What is the difference between revolving credit and hire purchase?
- What should a borrower do if s/he runs into difficulties?
- Are there any credit spending restrictions?
- How does a consumer go about building up a credit history?

Lesson Three

Compare and contrast the costs of buying on credit, from a range of lenders, buying with cash and layby arrangements

1. Use an Excel spreadsheet to calculate costs of borrowing. The same Excel spreadsheet used for savings can be used for credit costs. (Borrowing costs are the reverse of interest earned.)
2. Are there any other costs involved?

Credit charges may include interest + insurance + cost of setting up the loan. When these costs are included, the actual interest rate may change. This is called the annual percentage rate (APR) or the finance rate.
Hire purchase, including the finance rate, can be calculated using the following Finance Rate Table:

The Finance Rate (APR)

Principal (amount of loan)	$10,000
Cost of credit charges	$2,000
(say 12% interest + $800 other charges)	
Finance rate	20%
Repayment term	12 months
Monthly repayments	$1,000

Rule of 78 is derived from the repayment term as follows:

Add up the number of months of the borrowing term

1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11 + 12 = 78

Use the Repayment Table to calculate the cost of borrowing money to pay for

1. A $3,000 television set
2. A $30,000 car
3. A $2,000 refrigerator.

Repayment Table

Proportion	(as a decimal)	Monthly repayment $	Interest repaid $	Principal repaid $	Credit balance (cost of credit – interest repaid) $	Principal owing (principal – principal repaid)
12/78	0.153846	1000	307.69	692.31	1692.31	9307.69
11/78	0.141026	1000	282.05	717.95	1410.26	8589.74
10/78	0.128205	1000	256.41	743.59	1153.85	7846.15
9/78	0.115385	1000	230.77	769.23	923.08	7076.92
8/78	0.102564	1000	205.13	794.87	717.95	6282.05
7/78	0.089744	1000	179.49	820.51	538.46	5461.54
6/78	0.076923	1000	153.85	846.15	384.62	4615.38
5/78	0.064103	1000	128.21	871.79	256.41	3743.59
4/78	0.051282	1000	102.56	897.44	153.85	2846.15
3/78	0.038462	1000	76.92	923.08	76.92	1923.08
2/78	0.025641	1000	51.28	948.72	25.64	974.36
1/78	0.012821	1000	25.64	974.36	00.00	0

Lesson Four

Credit Crunch Game

This game demonstrates the cost of credit using a credit card and four different repayment options. Spend several periods playing the game to demonstrate how the interest cost can be managed using different repayment possibilities.

The full set of materials and instructions for playing the game are found in the games section of the Teachers' Resource Manual.

Lesson Five

Is credit such a good idea?

Students place themselves on an "agree/disagree" continuum for each attitude. They can line themselves up alongside a classroom wall or use an individual written record.

Students may explain to someone at the other end of the spectrum why their attitude is valid.

Attitudes towards credit

Totally agree **Totally disagree**

I always save up for something I need. If I can't afford to pay cash, I won't buy it.

I like to be able to buy what I want on the spot, regardless of the amount of money I have in the bank.

I would only borrow for big items.

If I have to borrow money for family occasions or cultural obligations, I will, regardless of the interest rate and conditions.

I think it's OK to pay off one credit card by using another credit card.

I would stick to one thing on credit at a time.

I have made some rules for myself about the use of credit and I stick to them.

Credit interest rates are too tough. Why should lenders charge interest?

Getting into debt is a bad thing.

Credit is like fire – a good servant but a bad master.

Credit should only be used by those who have a “Financial Education licence”.

4.3 The need to protect against financial risk

Learning Outcomes

Students could demonstrate such knowledge and understandings when they:

(a) Identify possible risks for loss of value in your family's property (for example, accidents, fire, flood, theft, water damage, loss of income, natural disasters);

(b) Describe the principles of insurance as a ways of reducing risk;

(c) Investigate which insurance types are available and the most popular in Fiji;

(d) Investigate a range of financial institutions which offer insurance cover;

(e) Investigate changing risk management needs at various life-stages and in relation to income and wealth.

Activity: The need to protect against financial risk

Protecting against financial risk (through insurance).

Suggested time: up to eight lessons.

Vocabulary

Risk	Loss	Insurance
Insurance cover	Protection	Under-insurance
Insurance policies	Insurance premium	Indemnity value
Replacement value	Claim.	

Lesson One

Attitudes and values towards risk and its management

This activity encourages students to discuss their pre-learning attitudes towards risk and insurance.
Students will identify what risks they believe they face and what they value.
They will be able to consider their family's requirements for different insurance needs, from a life-cycle approach.

Students will come to recognise that people have different insurance priorities over their life-cycle and according to their net worth.

To identify their current thoughts on insurance, students line themselves up on a totally agree – totally disagree continuum in the classroom in relation to the following statements:

- I don't need any private health insurance.
- Life insurance is necessary for all people with family responsibilities.
- We pay for insurance to give us protection when something goes wrong.
- My most valuable possessions are my mobile, my MP3 player, my bike and my laptop – so there is no point in considering insurance.
- Only people on high incomes should be in a superannuation scheme.

- Insurance is for old people.
- Motor vehicle insurance should be compulsory for any motor vehicle owner.
- It is a good idea to have travel insurance for an overseas trip.
- Insurance is a waste of money if nothing goes wrong.
- Students in hostels don't need to bother about insuring their personal property.

Students agree or disagree with these statements. Write a short paragraph about your attitude towards the value of insurance.

Lesson Two

Potential risks that people face in the course of their everyday lives

Give five minutes for students to brainstorm a list of risks. Record on the board. Some examples are included in the "Risk" column:

Risk	Impact on family/individual	What can be done to minimise risk of event happening?
Fire damage		
Water damage		
Weather damage		
Loss by burglary or theft		
Oil leaking or overflow		
Collision or impact		
Destruction by animals or people		
Illness in Fiji or overseas		
Accidental breakage or damage		
Missed plane connection		

Lesson Three

Managing risks or protecting a situation

Teachers list the risks below on the board.

Write one example of a method to protect against a risk recorded on the board. Ask the students to identify additional risks and, if possible, additional methods of protection.

Risk	Method
Theft	Safe at home or at a bank, alarms, detectors, insurance
Car engine packing up	Regular maintenance, insurance
Poor driving in the community	Defensive driving course, insurance
People driving on the wrong side of the road causing accidents	Median lines, road barriers, insurance
Poor health	Good nutrition, exercise, insurance
Loss of job/income	Good qualifications, insurance
Serious illness	Insurance

Replacing the loss

Students write down what would/could be lost if there was a fire/burglary in a specific room of the house e.g. kitchen, bedroom.

Using "junk mail"/newspaper advertisements or visits to particular stores, students could calculate the value of what would be lost if this misfortune occurred.

If the above is done in groups, students can calculate the value of a whole house worth of contents.

Given an average weekly wage/weekly student income, how long would it take to replace the loss?

Identify the risks that are: faced by the student : alone
: others
: many others.

Major catastrophes

Here is a list of potential risks:

Number of loss events	*Insured damage*
Natural catastrophes	Natural catastrophes
Major fires	Major fires
Aviation	Aviation
Waterborne traffic	Waterborne traffic
Road/rail traffic	
Other loss areas	Other loss area

Using these loss event categories, list which events have happened to your family or in Fiji in your memory. What was insured and what was not insured?

Students can find news clippings of examples of worldwide catastrophe losses and discuss the possibility of one or more of these events happening in their location. Examples, the Christchurch earthquake, flash floods in Nadi, tsunamis, and the Japan nuclear plant issues.

Lesson Four

Managing or protecting against risk

There are four ways to manage financial risks.

1. Avoid the risk

   This means eliminating the possibility of loss by avoiding risky activities (such as driving in torrential rain or going diving).

2. Reduce the risk

   These are steps taken to reduce losses or lower their financial cost. Such examples include wearing seatbelts when driving and installing home smoke detectors.

3. Accept the risk

   This means planning to pay for part or all of a financial loss with cash available. An example is putting money aside in a separate savings account on a regular basis to fund minor health risks or pay for the loss/damage to contact lens or glasses.

4. Transfer the risk

   This is done through purchase of an insurance policy.

Insurance is a way of transferring the risk of a loss from an individual or business to an insurer. The insurer agrees to pay the policy-holder a sum of money should a specific event occur in return for payment (called a premium).

Using the table below, students identify risks they would be prepared to avoid, reduce, accept and transfer.

Avoid the risk	Reduce the risk
Accept the risk	Transfer the risk

Lesson Five

The principles of insurance. How does insurance work?

Insurance policy-holders pay a fee (a premium) in exchange for cover against the risk of a large uncertain loss. Insurance policies pool the premiums paid by many people to reimburse all or part of the cost of losses suffered by a few.

For the activity below – select an item of personal possession that everyone in the class has.

Teacher alert! First of all assess your risk of undertaking this activity.

Part One:

- Students agree on an item that every class member has, for example, pencil case, shoes, jacket, school bag, calculator (shoes will be used in this example)
- Students line up and place their shoes in front of them
- Each student agrees with/contracts with the teacher the personal dollar value of their shoes
- On the board, calculate the total class value of the shoes
- Randomly select one person's pair of shoes and remove them via the window (retrieval may need to be immediate)
- Remind students that each one had the same potential for loss (but student X has suffered a loss).

Part Two:

- Give students the opportunity to insure their shoes for 5% of their agreed value
- In groups, students could work out the wording of the agreement
- Randomly choose another pair of shoes, whether or not the student has chosen the insurance option and remove them via the window (retrieval again may need to be immediate)
- In pairs, discuss the role of insurance and the value of the risk of loss
- Each student could calculate how much s/he would be willing to pay to prevent/minimise the loss
- The class average premium payment could also be calculated.

Part Three:

- Students explain the shared risk principle of insurance – the relationship between the level of risk and the size of the premium could be explored
- Students could consider the community responsibility towards people who decide **not** to take up the insurance option and then suffer losses.

What's it worth? Indemnity or replacement value

This part of the activity alerts students to the general principle of indemnity and the requirement for the customer to specify the type of policy required.

Teacher information – indemnity value versus replacement value

Indemnity value

An item's current value allowing for its age and condition immediately before the loss or damage happened. An indemnity policy puts you back in the same financial position you were in prior to the loss occurring, so that you are no better or worse off than you were immediately before the loss. The settlement is based on how much you would pay for the item second-hand or the replacement cost of the item less an allowance (depreciation) for age and use

Replacement value

This is a policy under which an insurance company will replace a lost or destroyed item with a new one, or repair the item so it is as new as practically possible.

This activity follows on from the case of the disappearing shoes.

Part Four:

- Check with each of the students about who took up the offer of insurance just now about their shoes
- Are they covered by insured shoes, uninsured shoes, or are their feet bare?
- Ask the student(s) whose shoes disappeared how much their shoes cost

- Offer them for half the value of the shoes
- Students could discuss their satisfaction or otherwise and describe their expectations.

Part Five:

- The teacher can introduce the concept of indemnity and replacement value insurance options
- In groups, students make two lists (one list would be of items that that are covered by indemnity value, the other would contain the replacement value items)
- Discuss the costs and benefits of the two lists (a rule of thumb could be that replacement policies are 30% more expensive than indemnity policies).

Part Six

- Students consider how much insurance is enough and the possibility of being over-insured.

Lesson Six

Types of insurance

What risks are insurable?

Investigate what types of insurance policies are available and the most popular in Fiji.

Students investigate insurance policies and premium costs of different policies (of their parents, friends or from insurance companies), such as vehicles, contents (especially in a student hostel), travel insurance.

Create a class list of policies, what they cover, and their premiums (depending on sensitivity).

Insurance policy name	Protects against
House	
Contents	
Vehicle	
Health	
Income protection	
Life	
Travel	
Business (loss of profits etc)	

Evaluate the level of risk for one or more policies and make a decision about whether they would choose replacement or indemnity policies.

Collect an insurance story

This activity focuses on the variety of circumstances that can surround insurance claims and experiences. The students will understand all sorts of situations arise and can cause the consumer to think differently about the factors surrounding their insurance policies.

Students, in advance, go out in to the community and find an "insurance story". They could approach family, friends, neighbours, workmates.

Emphasise to the student that the dollar value is not to be the key focus of the story. Emphasis is to be placed on:

- The event
- Why it happened
- What kind of insurance was involved
- Why the person had/did not have insurance
- How the person felt about the outcome of the claim
- Any changes the person would make to the insurance situation as a result of the event.

The students share their stories in class, giving opportunity for comments from other class members.

Students could choose one or more of the situations discussed and create a list of points that they would need to take into consideration when taking out a particular policy.

Can you insure against … ?

Event	Impact on family or individual	Can anything be done to minimise the risk of the event happening?	Is the risk insurable?	What type of insurance is applicable?
A kerosene appliance explodes and the family home suffers fire damage				
A family member drives into the back of someone else's car				
A family member's credit cards are stolen while overseas				
Household items (TV, jewellery and DVD collection) are stolen				
The main income earner of the family is diagnosed with cancer				
You break your leg while on holiday in New Zealand				
The newly purchased family car is hit by an uninsured driver				

Identify insurance pitfalls (e.g. under-insurance, not understanding exclusions and failure to abide by the duty of disclosure) experienced by each person in the situations below and offer some advice.

Situation	Potential pitfall	Relevant question	Your advice
Mother's jewellery stolen in a house burglary		Exclusions?	
You gave your PIN to a friend and your ATM card is stolen		Disclosure?	
Your bags were stolen when you left them unattended at the airport		Exclusions?	
Your friend had an accident driving your car while above the allowed alcohol limit		Exclusions?	
You modified your car by adding spoilers. In an accident not caused by you these were damaged		Disclosure? Exclusions?	
Family possessions were washed away in a flood		Under-insurance?	
Your grandfather had a heart attack while on holiday overseas and has a history of heart disease		Disclosure?	

Lesson Seven

Who offers insurance cover and do I need it?
Research activity

This research activity is designed to familiarise students with the range of insurance providers and their main products.

Part One:

- Brainstorm (as a class) names of insurance companies/providers students are familiar with
- Alongside each name, recall the logo/colour scheme/music/theme/slogan associated with the company
- What is the impression that is promoted through this branding?
- Describe the insurance situation being promoted through the company's advertising
- What types of insurance protection are not included in this list?

Part Two:

- Using the telephone book, internet or suitable resource, (in pairs) prepare a list of additional insurance companies and what they offer
- Are there any insurance agents or insurance brokers listed? Find out what they do
- How many companies would you contact as part of your shopping around for insurance?
- Which of these insurance providers would you approach for vehicle insurance?
- List them and give a reason or your choice.

Do I need insurance?

As a class, fill in the following table.

Type of insurance	When you might need it	Why you might need it	How can you get it?
Travel	**While on holiday overseas**	**Cover for lost possessions, missed connections, medical problems**	**Travel agent, insurance company or brokers**
Vehicle	**When you own a car or drive the family car**	**Accident, theft, broken into, break-down**	**Insurance company or brokers. Car dealers?**
Home buildings	**When you own your own home**	**Fire, flood and other events**	**Insurance company or brokers**
Contents	**When you move out of home either renting or in your own home**	**Theft, fire and other events**	**Insurance company or brokers**
Health	**When you are no longer covered under your family's policy**	**Injury, medical or dental treatment**	**Private health insurance providers or brokers**
Life	**When you depend on your income to cover living expenses**	**To cover you if you can't work due to an accident or illness or if you die**	**Life and general insurance providers, brokers**

(Source: Adapted from Your Money Starter, ASIC)

Teacher suggestion – the generic answers are in red for your convenience. Give the chart to the students and get them to fill it in as a research exercise.

Lesson Eight

Different risk management needs at various life-stages.

Different risk management needs in relation to income and wealth.

Profiles

1. Vika

   Age – early 20s, single

   Occupation – just completing the final year of a chef's apprenticeship

   Ambitions – to travel overseas for a year and work developing skills and career opportunities

2. Josefa

   Age – mid-20s, single

   Occupation – singer in a band

   Ambitions – enjoy life and for the band to make it big

   Irregular income – from very high to very low

3. Varanisese

   Age – mid-30s, married, two young children

   Occupation – teacher

   Ambitions – to return to study part-time to increase career opportunities

   Middle income

4. Senimili

   Age – mid-30s, married, three school-age children

   Occupation – clerical/accounting duties, works part-time three days a week (has not been part of the full-time workforce for the last six years)

   Ambitions – to return to the full-time workforce

   paying off a large home loan (mortgage) with her spouse

5. Filimone

   Age – mid-40s, divorced, paying child support for one child

   Occupation – tradesperson

   Ambitions – currently renting, wants to buy a house

   Contributing to FNPF superannuation

6. Josaia

   Age – mid-50s, married, four children, three financially independent, one at a tertiary institution

   Occupation – self-employed IT consultant

   Ambitions – to retire at 60 and travel

   Owns own home

Students identify what insurance options are suitable/advisable for each of the six people.
Justify your choices and refer to their life-cycle stage or and their assumed level of income and wealth.

Student can add to the information for each person to give a more complete indication of types of insurance required.

Investigate if the Micro Life product is suitable for any of the people above www.licifiji.com.fj.

4.4 Risk and return in relation to popular financial products

Learning Outcomes

Students could demonstrate such knowledge and understandings when they:

(a) Investigate generic financial products available to young people in the short and medium term;

(b) Research the risk and returns involved in investment products, possibly including the sharemarket;

(c) Investigate the terms and conditions of investments that are offered by a range of financial institutions;

(d) Give examples of different rights and responsibilities in relation to financial products;

(e) Compare the risk and return from savings and investment products over time.

4.5 Why and how people invest income

Learning Outcomes

Students could demonstrate such knowledge and understandings when they:

(a) Investigate different ways of investing income to create wealth, including superannuation;

(b) Investigate and compare interest rates and terms over time;

(c) Employ a tool to demonstrate the benefits of compound interest;

(d) Demonstrate the impact of inflation on wealth;

(e) Demonstrate the impact of tax on wealth;

(f) Demonstrate the impact of tax on income;

(g) Demonstrate the impact of tax on cash receipts.

Activity: **Form Four Task – INVEST$MART**

Suggested Time: As required for the total task and related assessment.

Resources

Booklets available for the Form Four Task:

- Assessment Booklet
- Teacher Booklet
- Student Workbook.

Vocabulary

Risk	Return	Financial (investment) products
Short term	Medium term	Savings
Investment	Wealth	Superannuation
Interest rates	Compound interest	Inflation
Investment plan.		

The Form Four Task has a section on superannuation as a form of investment.

The following five exercises relate to Section 2 (b) Superannuation Fund as a form of investment.
These five exercises have:

a) A student worksheet;
b) A worksheet with answers for teachers;
c) An Excel spreadsheet with calculations.

The Teachers' Resource Manual CD contains the Excel spreadsheet file. Teachers can then change figures on the file to generate further activities and use the file for activities in other topics.

The FNPF is a compulsory savings scheme for workers in Fiji.

(a) Outline a future career plan for yourself in terms of the:
  i. Age you wish to be in paid employment [or age when you intend to start working];
  ii. Type of job you wish to be engaged in;
  iii. Estimated annual salary/income you expected to be earning;
  iv. Annual contributions that will be deducted towards the FNPF.

The following is an extract from the Form Four Commercial Studies Task.

Part 2 (b) SUPERNNUATION FUND AS A FORM OF INVESTMENT (20 marks)

(b) Assume you are a 16 year old student and have registered with the FNPF as a voluntary member.

With the savings of $30 per month, calculate your total savings from the year you are registered as a voluntary member to the year you start working and become a compulsory member in (a) above.

Teachers – please note:
The following exercises include compound interest, which is excluded from the Teacher Guide instructions.

Example 1. Demonstrate the benefits of compound interest. Example: 16 year old student.

The exercise is for a 16 year old student who has registered for FNPF as a voluntary member. The voluntary savings are $30 per month for the first five years of school and study. After that, the person becomes a member of the paid workforce and becomes a compulsory member.
The person has a starting salary of $10,000 a year, which rises to $22,000 a year by the time s/he is 50 years old.

This exercise shows the benefit of compound interest and the value of not withdrawing any contributions until retirement.

Questions, Excel spreadsheet print-off and answers (in red) provided.

Example 2. Demonstrate the benefits of compound interest. Example: Using a teacher's salary.

The exercise is for a 16 year old student who has registered for FNPF as a voluntary member. The voluntary savings are $30 per month for the first five years of school and study. After that, the person becomes a member of the paid workforce and becomes a compulsory member.

The person has a starting teacher's salary of $14,250 year, which remains constant until retirement. This scenario may be an artificial situation.

This exercise shows the benefit of compound interest and the value of not withdrawing any contributions until retirement.

Questions, Excel spreadsheet print-off and answers (in red) provided.

Example 3. Demonstrate the benefits of compound interest. Example: Savings from ages 14-55 years of age for Serasaini.

The exercise is for a 16 year old student who has registered for FNPF as a voluntary member. The voluntary savings are $10 per week for the first four years of school and no savings for four years while undertaking study. After that, the person becomes a member of the paid workforce and becomes a compulsory member. The person has a starting salary of $10,000 year, which rises to $22,000.

This exercise shows the benefit of compound interest and the value of not withdrawing any contributions until retirement.

Questions, Excel spreadsheet print-off and answers (in red) provided.

Example 4. Demonstrate the benefits of compound interest for Tomu.

This exercise is for a 14 year old student who saves $10 a week with the FNPF as a voluntary member for four years while at school. He contributes nothing to his FNPF fund while studying.

After that he earns $10,000 a year for six years and then $12,000 a year until he is 33 years old. At the age of 33, he has an accident which prevents him from ever working again. On the advice of his family, he does not withdraw his contributions and they remain in his account earning compound interest until he withdraws them at age 55.

This exercise demonstrates the power of compound interest even when no contributions are being made.

Questions, Excel spreadsheet print-off and answers (in red) provided.

Example 5. Demonstrate the benefits of compound interest for Bano and Gulsher. Serious saving for 30 years.

This exercise compares two people – Bano and Gulsher. Bano contributes to her FNPF fund for 30 years without a break and make no withdrawals. Initially she contributes $500 a year for the first four years, and then contributes $10,000 a year for the next 26 years.

Gulsher, on the other hand, decides to take a savings holiday at two stages during the 30 years he belongs to the fund.

Interest rates fluctuate over the 30 year timeframe.

This exercise is designed to demonstrate the impact of continuous saving even if the level of contribution is not high. It also demonstrates the impact of taking savings holidays.

Teachers can modify the Excel spreadsheet with their own information to create further exercises. The spreadsheet is available on the CD provided to each school.

Questions, Excel spreadsheet print-off and answers (in red) provided.

(c) *Before you start work, you've got to remember that one day you will retire*.
Based on your annual salary in (a) above, calculate your total savings upon reaching the retirement age, assuming you did not withdraw any sum during your term of employment.

(d) Outline your retirement plan concerning the savings you are going to accumulate with the FNPF in (c) above.
(Consider Pension as an option)

(e) Assuming you had withdrawn 50% of your contributions before retirement, calculate your savings and outline how you plan to spend it.
(Consider Pension as an option)

(f) In a paragraph of 50-100 words write under the following guideline:
- Discuss what you understand by the term "eligibility" with relation to the FNPF
- Outline three of the eligibilities upon which FNPF members could withdraw their savings
- As a conclusion outline your recommendation concerning partial withdrawals of FNPF savings by members

The following worksheets are for students (without answers) and for teachers (with answers). The Excel spreadsheets from which the answers are derived are part of each exercise.

Example 1. Demonstrate the benefits of compound interest. Example: 16 year old student.

This information assumes you are a 16 year old student and have registered with the FNPF as a voluntary member. You have savings of $30 per month for the first five years of school and further study. In the sixth year you become a member of the workforce and become a compulsory member of the scheme.

Compound interest has been included as part of the calculations of the total savings. The income levels can be changed on the Excel spreadsheet.

Questions

1. How much money have you saved as a voluntary member over these five years?

2. How much money is in your savings account at the end of this five year period?

   How much interest has been earned over these five years?

   What proportion is the interest of the total?

3. How much money is in the superannuation account at the end of the 40 years you have been contributing?

4. How much of this total is your contribution?

5. What is the total interest for the period?

6. What proportion is the interest of the total?

7. What does the information mean in the above question?

8. What advice would you give people who are just starting out on their savings plan?

Example 1. Demonstrate the benefits of compound interest. Example: 16 year old student.

This information assumes you are a 16 year old student and have registered with the FNPF as a voluntary member. You have savings of $30 per month for the first five years of school and further study. In the sixth year you become a member of the workforce and become a compulsory member of the scheme.

Compound interest has been included as part of the calculations of the total savings. The income levels can be changed on the Excel spreadsheet.

Questions

1. How much money have you saved as a voluntary member over these five years?

   $360 x 5 = $1,800

2. How much money is in your savings account at the end of this five year period?

   $2,088.69

   How much interest has been earned over these five years?

   $288.69

   What proportion is the interest of the total?

   ($288.69 ÷ $2,088.69) x 100 = 13.82%

3. How much money is in the superannuation account at the end of the 40 years you have been contributing?

   $227,005.81

4. How much of this total is your contribution?

   $93,000

5. What is the total interest for the period?

   $134,005.81

6. What proportion is the interest of the total?

   $134,005.81 ÷ $227,005.81= 59.03%

7. What does the information mean in the above question?

   It means that you don't have to save 59.03% of the total final balance. It is unearned income.

8. What advice would you give people who are just starting out on their savings plan?

Example 1. Demonstrate the benefits of compound interest. Example: 16 year old student.

Age	Year	Starting Capital	Deposit	Interest Rate	Year End Interest $	Year End Capital	Total Interest $	Total Deposited	Income
14	1	$0.00		5.0%	0	$0.00	0.00	$0.00	school
15	2	$0.00		5.0%	0	$0.00	0.00	$0.00	school
16	3	$0.00	$360.00	5.0%	18.00	$378.00	18.00	$360.00	school
17	4	$378.00	$360.00	5.0%	36.90	$774.90	54.90	$720.00	school
18	5	$774.90	$360.00	5.0%	56.75	$1,191.65	111.65	$1,080.00	study
19	6	$1,191.65	$360.00	5.0%	77.58	$1,629.23	189.23	$1,440.00	study
20	7	$1,629.23	$360.00	5.0%	99.46	$2,088.69	288.69	$1,800.00	study
21	8	$2,088.69	$1,600.00	5.0%	184.43	$3,873.12	473.12	$3,400.00	$10,000
22	9	$3,873.12	$1,600.00	5.0%	273.66	$5,746.78	746.78	$5,000.00	$10,000
23	10	$5,746.78	$1,600.00	5.0%	367.34	$7,714.12	1114.12	$6,600.00	$10,000
24	11	$7,714.12	$1,600.00	5.0%	465.71	$9,779.82	1579.82	$8,200.00	$10,000
25	12	$9,779.82	$1,600.00	5.0%	568.99	$11,948.82	2148.82	$9,800.00	$10,000
26	13	$11,948.82	$1,600.00	5.0%	677.44	$14,226.26	2826.26	$11,400.00	$10,000
27	14	$14,226.26	$1,600.00	5.0%	791.31	$16,617.57	3617.57	$13,000.00	$10,000
28	15	$16,617.57	$1,600.00	5.0%	910.88	$19,128.45	4528.45	$14,600.00	$10,000
29	16	$19,128.45	$1,920.00	5.0%	1052.42	$22,100.87	5580.87	$16,520.00	$12,000
30	17	$22,100.87	$1,920.00	5.0%	1201.04	$25,221.91	6781.91	$18,440.00	$12,000
31	18	$25,221.91	$1,920.00	5.0%	1357.10	$28,499.01	8139.01	$20,360.00	$12,000
32	19	$28,499.01	$1,920.00	5.0%	1520.95	$31,939.96	9659.96	$22,280.00	$12,000
33	20	$31,939.96	$2,560.00	5.0%	1725.00	$36,224.96	11384.96	$24,840.00	$16,000
34	21	$36,224.96	$2,560.00	5.0%	1939.25	$40,724.21	13324.21	$27,400.00	$16,000
35	22	$40,724.21	$2,560.00	5.0%	2164.21	$45,448.42	15488.42	$29,960.00	$16,000

Age	Year	Starting Capital	Deposit	Interest Rate	Year End Interest $	Year End Capital	Total Interest $	Total Deposited	Income
36	23	$45,448.42	$2,560.00	5.0%	2400.42	$50,408.84	17888.84	$32,520.00	$16,000
37	24	$50,408.84	$2,560.00	5.0%	2648.44	$55,617.28	20537.28	$35,080.00	$16,000
38	25	$55,617.28	$2,880.00	5.0%	2924.86	$61,422.14	23462.14	$37,960.00	$18,000
39	26	$61,422.14	$2,880.00	5.0%	3215.11	$67,517.25	26677.25	$40,840.00	$18,000
40	27	$67,517.25	$2,880.00	5.0%	3519.86	$73,917.11	30197.11	$43,720.00	$18,000
41	28	$73,917.11	$2,880.00	5.0%	3839.86	$80,636.97	34036.97	$46,600.00	$18,000
42	29	$80,636.97	$2,880.00	5.0%	4175.85	$87,692.82	38212.82	$49,480.00	$18,000
43	30	$87,692.82	$2,880.00	5.0%	4528.64	$95,101.46	42741.46	$52,360.00	$18,000
44	31	$95,101.46	$3,200.00	5.0%	4915.07	$103,216.53	47656.53	$55,560.00	$20,000
45	32	$103,216.53	$3,200.00	5.0%	5320.83	$111,737.36	52977.36	$58,760.00	$20,000
46	33	$111,737.36	$3,200.00	5.0%	5746.87	$120,684.22	58724.22	$61,960.00	$20,000
47	34	$120,684.22	$3,200.00	5.0%	6194.21	$130,078.43	64918.43	$65,160.00	$20,000
48	35	$130,078.43	$3,200.00	5.0%	6663.92	$139,942.36	71582.36	$68,360.00	$20,000
49	36	$139,942.36	$3,520.00	5.0%	7173.12	$150,635.47	78755.47	$71,880.00	$22,000
50	37	$150,635.47	$3,520.00	5.0%	7707.77	$161,863.25	86463.25	$75,400.00	$22,000
51	38	$161,863.25	$3,520.00	5.0%	8269.16	$173,652.41	94732.41	$78,920.00	$22,000
52	39	$173,652.41	$3,520.00	5.0%	8858.62	$186,031.03	103591.03	$82,440.00	$22,000
53	40	$186,031.03	$3,520.00	5.0%	9477.55	$199,028.58	113068.58	$85,960.00	$22,000
54	41	$199,028.58	$3,520.00	5.0%	10127.43	$212,676.01	123196.01	$89,480.00	$22,000
55	42	$212,676.01	$3,520.00	5.0%	10809.80	$227,005.81	134005.81	$93,000.00	$22,000
		Summary	$93,000.00	5%	$134,005.81	$227,005.81	$134,005.81	$93,000.00	

Example 2. Demonstrate the benefits of compound interest. Example: Using a teacher's salary.

This information assumes you are a 16 year old student and have registered with the FNPF as a voluntary member. You have savings of $30 per month for the first five years of school and further study. In the sixth year you become a member of the workforce and become a compulsory member of the scheme.

Compound interest has been included as part of the calculations of the total savings. The income levels can be changed on the Excel spreadsheet.

Questions

1. How much money have you saved as a voluntary member over these five years?

2. How much money is in your savings account at the end of this five year period?

   How much interest has been earned over these five years?

   What proportion is the interest of the total?

3. How much money is in the superannuation account at the end of the 40 years you have been contributing?

4. How much of this total is your contribution?

5. What is the total interest for the period?

6. What proportion is the interest of the total?

7. What does the information mean in the above question?

8. What advice would you give people who are just starting out on their savings plan? Use the words “time”, “commitment” and “higher income” in your explanation.

Example 2. Demonstrate the benefits of compound interest. Example: Using a teacher's salary.

This information assumes you are a 16 year old student and have registered with the FNPF as a voluntary member. You have savings of $30 per month for the first five years of school and further study. In the sixth year you become a member of the workforce and become a compulsory member of the scheme.

Compound interest has been included as part of the calculations of the total savings. The income levels can be changed on the Excel spreadsheet.

Questions

1. How much money have you saved as a voluntary member over these five years?
   $360 x 5 = $1,800

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2. How much money is in your savings account at the end of this five year period?
   $2,088.69

   How much interest has been earned over these five years?
   $288.69

   What proportion is the interest of the total?
   ($288.69 ÷ $2,088.69) x 100 = 13.82%

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3. How much money is in the superannuation account at the end of the 40 years you have been contributing?
   $227,748.05

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4. How much of this total is your contribution?
   $81,600

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5. What is the total interest for the period?
   $146,148.05

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6. What proportion is the interest of the total?
   $146,148.05 ÷ $227,748.05 = 64.17%

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7. What does the information mean in the above question?
   It means that you don't have to save 64.17% of the total final balance. It is unearned income.

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8. What advice would you give people who are just starting out on their savings plan? Use the words “time”, “commitment” and “higher income” in your explanation.

Example 2. Demonstrate the benefits of compound interest. Example: Using a teacher's salary.

Age	Year	Starting Capital	Deposit	Interest Rate	Year End Interest $	Year End Capital	Total Interest $	Total Deposited	Income
14	1	$0.00		5.0%	0	$0.00	0.00	$0.00	school
15	2	$0.00		5.0%	0	$0.00	0.00	$0.00	school
16	3	$0.00	$360.00	5.0%	18.00	$378.00	18.00	$360.00	school
17	4	$378.00	$360.00	5.0%	36.90	$774.90	54.90	$720.00	school
18	5	$774.90	$360.00	5.0%	56.75	$1,191.65	111.65	$1,080.00	study
19	6	$1,191.65	$360.00	5.0%	77.58	$1,629.23	189.23	$1,440.00	study
20	7	$1,629.23	$360.00	5.0%	99.46	$2,088.69	288.69	$1,800.00	study
21	8	$2,088.69	$2,280.00	5.0%	218.43	$4,587.12	507.12	$4,080.00	$14,250
22	9	$4,587.12	$2,280.00	5.0%	343.36	$7,210.48	850.48	$6,360.00	$14,250
23	10	$7,210.48	$2,280.00	5.0%	474.52	$9,965.00	1325.00	$8,640.00	$14,250
24	11	$9,965.00	$2,280.00	5.0%	612.25	$12,857.25	1937.25	$10,920.00	$14,250
25	12	$12,857.25	$2,280.00	5.0%	756.86	$15,894.12	2694.12	$13,200.00	$14,250
26	13	$15,894.12	$2,280.00	5.0%	908.71	$19,082.82	3602.82	$15,480.00	$14,250
27	14	$19,082.82	$2,280.00	5.0%	1068.14	$22,430.96	4670.96	$17,760.00	$14,250
28	15	$22,430.96	$2,280.00	5.0%	1235.55	$25,946.51	5906.51	$20,040.00	$14,250
29	16	$25,946.51	$2,280.00	5.0%	1411.33	$29,637.84	7317.84	$22,320.00	$14,250
30	17	$29,637.84	$2,280.00	5.0%	1595.89	$33,513.73	8913.73	$24,600.00	$14,250
31	18	$33,513.73	$2,280.00	5.0%	1789.69	$37,583.41	10703.41	$26,880.00	$14,250
32	19	$37,583.41	$2,280.00	5.0%	1993.17	$41,856.59	12696.59	$29,160.00	$14,250
33	20	$41,856.59	$2,280.00	5.0%	2206.83	$46,343.41	14903.41	$31,440.00	$14,250
34	21	$46,343.41	$2,280.00	5.0%	2431.17	$51,054.59	17334.59	$33,720.00	$14,250

Age	Year	Starting Capital	Deposit	Interest Rate	Year End Interest $	Year End Capital	Total Interest $	Total Deposited	Income
35	22	$51,054.59	$2,280.00	5.0%	2666.73	$56,001.31	20001.31	$36,000.00	$14,250
36	23	$56,001.31	$2,280.00	5.0%	2914.07	$61,195.38	22915.38	$38,280.00	$14,250
37	24	$61,195.38	$2,280.00	5.0%	3173.77	$66,649.15	26089.15	$40,560.00	$14,250
38	25	$66,649.15	$2,280.00	5.0%	3446.46	$72,375.61	29535.61	$42,840.00	$14,250
39	26	$72,375.61	$2,280.00	5.0%	3732.78	$78,388.39	33268.39	$45,120.00	$14,250
40	27	$78,388.39	$2,280.00	5.0%	4033.42	$84,701.81	37301.81	$47,400.00	$14,250
41	28	$84,701.81	$2,280.00	5.0%	4349.09	$91,330.90	41650.90	$49,680.00	$14,250
42	29	$91,330.90	$2,280.00	5.0%	4680.54	$98,291.44	46331.44	$51,960.00	$14,250
43	30	$98,291.44	$2,280.00	5.0%	5028.57	$105,600.01	51360.01	$54,240.00	$14,250
44	31	$105,600.01	$2,280.00	5.0%	5394.00	$113,274.01	56754.01	$56,520.00	$14,250
45	32	$113,274.01	$2,280.00	5.0%	5777.70	$121,331.72	62531.72	$58,800.00	$14,250
46	33	$121,331.72	$2,280.00	5.0%	6180.59	$129,792.30	68712.30	$61,080.00	$14,250
47	34	$129,792.30	$2,280.00	5.0%	6603.62	$138,675.92	75315.92	$63,360.00	$14,250
48	35	$138,675.92	$2,280.00	5.0%	7047.80	$148,003.71	82363.71	$65,640.00	$14,250
49	36	$148,003.71	$2,280.00	5.0%	7514.19	$157,797.90	89877.90	$67,920.00	$14,250
50	37	$157,797.90	$2,280.00	5.0%	8003.89	$168,081.79	97881.79	$70,200.00	$14,250
51	38	$168,081.79	$2,280.00	5.0%	8518.09	$178,879.88	106399.88	$72,480.00	$14,250
52	39	$178,879.88	$2,280.00	5.0%	9057.99	$190,217.88	115457.88	$74,760.00	$14,250
53	40	$190,217.88	$2,280.00	5.0%	9624.89	$202,122.77	125082.77	$77,040.00	$14,250
54	41	$202,122.77	$2,280.00	5.0%	10220.14	$214,622.91	135302.91	$79,320.00	$14,250
55	42	$214,622.91	$2,280.00	5.0%	10845.15	$227,748.05	146148.05	$81,600.00	$14,250
		Summary	$81,600.00	5%	$146,148.05	$227,748.05	$146,148.05	$81,600.00	

Example 3. Demonstrate the benefits of compound interest. Example: Ages 14-55 (for Serasaini).

Questions

Work out the following information for Serasaini

1. At ages 14-17, how much is saved in the voluntary FNPF scheme a year?

2. How much is saved in total from age 14-17?

3. How much interest in total is earned from age 14-17?

4. What is the average rate of return from interest over that four year period?

5. Why is it more than the 5% rate earned per year?

6. Between the ages of 18-21, Serasaini is studying and not able to save anything.
   Why does the total deposit continue to increase?

7. At age 22, Serasaini starts working for a regular income (8% of the salary is deducted and the employer contributes 8%).

   How much is deposited a year in the superannuation scheme at the various levels of income she earns throughout her working life?

   (a) $10,000 a year

   (b) $12,000 a year

   (c) $16,000 a year

   (d) $18,000 a year

(e) $20,000 a year

(f) $22,000 a year

8. How much is she earning when the interest she receives in a year is greater than the amount deposited into the superannuation scheme?

   How old is she?

9. What is the total amount in the superannuation fund by the time she reaches 55 years of age?

10. What is Serasaini's total contribution deposited over her lifetime until 55 years of age?

    How much did her employer contribute?

    What is the total contribution deposited over her lifetime until 55 years of age?

    What is the amount of total interest earned over her lifetime until 55 years of age?

11. How much more was added to her superannuation fund by interest than by her and her employer's contributions?

12. Explain the benefits of compound interest.

Example 3. Demonstrate the benefits of compound interest. Example: Ages 14-55 (for Serasaini).

Questions

Work out the following information for Serasaini

1. At ages 14-17, how much is saved in the voluntary FNPF scheme a year?

   $520 – $10 a week?

2. How much is saved in total from age 14-17?

   (4 x $520 = $2,080)

3. How much interest in total is earned from age 14-17?

   ($273.33)

4. What is the average rate of return from interest over that four year period?

   [(26.00 ÷ 520) + (53.30 ÷ 1,040) + (81.97 ÷ 1,560) + (112.06 ÷ 2,080)] = (5.19%)

5. Why is it more than the 5% rate earned per year?

   (Because the deposit is earning interest on interest as well as the annual sum deposited.)

6. Between the ages of 18-21, Serasaini is studying and not able to save anything.
   Why does the total deposit continue to increase?

   (Because the deposit is earning interest on interest.)

7. At age 22, Serasaini starts working for a regular income (8% of the salary is deducted and the employer contributes 8%).

   How much is deposited a year in the superannuation scheme at the various levels of income she earns throughout her working life?

   (a) $10,000 a year

   ($1,600)

   (b) $12,000 a year

   ($1,920)

   (c) $16,000 a year

   ($2,560)

   (d) $18,000 a year

   ($2,880)

(e) $20,000 a year

($3,200)

(f) $22,000 a year

($3,520)

8. How much is she earning when the interest she receives in a year is greater than the amount deposited into the superannuation scheme?

($16,000)

How old is she?

(37 years old)

9. What is the total amount in the superannuation fund by the time she reaches 55 years of age?

($222,940.51)

10. What is Serasaini's total contribution deposited over her lifetime until 55 years of age?

($520 x 4) + ($800 x 6) + ($960 x 5) + ($1,280 x 5) + ($1,440 x 6) + ($1,600 x 5) + ($1,760 x 7) = $47,040

How much did her employer contribute?

($800 x 6) + ($960 x 5) + ($1,280 x 5) + ($1,440 x 6) + ($1,600 x 5) + ($1,760 x 7) = $44,960

What is the total contribution deposited over her lifetime until 55 years of age?

($92,000)

What is the amount of total interest earned over her lifetime until 55 years of age?

($130,940.51)

11. How much more was added to her superannuation fund by interest than by her and her employer's contributions?

($38940.51)

12. Explain the benefits of compound interest.

Example 3. Demonstrate the benefits of compound interest. Example: Ages 14-55 (for Serasaini)

Age	Year	Starting Capital	Deposit	Interest Rate	Year End Interest $	Year End Capital	Total Interest $	Total Deposited	
14	1	$0.00	$520.00	5.0%	26.00	$546.00	26	$520.00	at school, $520 saved a year ($10 a week)
15	2	$546.00	$520.00	5.0%	53.30	$1,119.30	79.3	$1,040.00	at school, $520 saved a year ($10 a week)
16	3	$1,119.30	$520.00	5.0%	81.97	$1,721.27	161.265	$1,560.00	at school, $520 saved a year ($10 a week)
17	4	$1,721.27	$520.00	5.0%	112.06	$2,353.33	273.33	$2,080.00	at school, $520 saved a year ($10 a week)
18	5	$2,353.33	$0.00	5.0%	117.67	$2,470.99	390.99	$2,080.00	studying, no contribution
19	6	$2,470.99	$0.00	5.0%	123.55	$2,594.54	514.54	$2,080.00	studying, no contribution
20	7	$2,594.54	$0.00	5.0%	129.73	$2,724.27	644.27	$2,080.00	studying, no contribution
21	8	$2,724.27	$0.00	5.0%	136.21	$2,860.49	780.49	$2,080.00	studying, no contribution
22	9	$2,860.49	$1,600.00	5.0%	223.02	$4,683.51	1003.51	$3,680.00	earning income of $10,000 x 16% contribution
23	10	$4,683.51	$1,600.00	5.0%	314.18	$6,597.68	1317.68	$5,280.00	earning income of $10,000 x 16% contribution
24	11	$6,597.68	$1,600.00	5.0%	409.88	$8,607.57	1727.57	$6,880.00	earning income of $10,000 x 16% contribution
25	12	$8,607.57	$1,600.00	5.0%	510.38	$10,717.95	2237.95	$8,480.00	earning income of $10,000 x 16% contribution
26	13	$10,717.95	$1,600.00	5.0%	615.90	$12,933.85	2853.85	$10,080.00	earning income of $10,000 x 16% contribution

Age	Year	Starting Capital	Deposit	Interest Rate	Year End Interest $	Year End Capital	Total Interest $	Total Deposited	
27	14	$12,933.85	$1,600.00	5.0%	726.69	$15,260.54	3580.54	$11,680.00	earning income of $10,000 x 16% contribution
28	15	$15,260.54	$1,920.00	5.0%	859.03	$18,039.56	4439.56	$13,600.00	earning income of $12,000 x 16% contribution
29	16	$18,039.56	$1,920.00	5.0%	997.98	$20,957.54	5437.54	$15,520.00	earning income of $12,000 x 16% contribution
30	17	$20,957.54	$1,920.00	5.0%	1143.88	$24,021.42	6581.42	$17,440.00	earning income of $12,000 x 16% contribution
31	18	$24,021.42	$1,920.00	5.0%	1297.07	$27,238.49	7878.49	$19,360.00	earning income of $12,000 x 16% contribution
32	19	$27,238.49	$1,920.00	5.0%	1457.92	$30,616.41	9336.41	$21,280.00	earning income of $12,000 x 16% contribution
33	20	$30,616.41	$2,560.00	5.0%	1658.82	$34,835.24	10995.24	$23,840.00	earning income of $16,000 x 16% contribution
34	21	$34,835.24	$2,560.00	5.0%	1869.76	$39,265.00	12865.00	$26,400.00	earning income of $16,000 x 16% contribution
35	22	$39,265.00	$2,560.00	5.0%	2091.25	$43,916.25	14956.25	$28,960.00	earning income of $16,000 x 16% contribution
36	23	$43,916.25	$2,560.00	5.0%	2323.81	$48,800.06	17280.06	$31,520.00	earning income of $16,000 x 16% contribution
37	24	$48,800.06	$2,560.00	5.0%	2568.00	$53,928.06	19848.06	$34,080.00	earning income of $16,000 x 16% contribution
38	25	$53,928.06	$2,880.00	5.0%	2840.40	$59,648.47	22688.47	$36,960.00	earning income of $18,000 x 16% contribution

Age	Year	Starting Capital	Deposit	Interest Rate	Year End Interest $	Year End Capital	Total Interest $	Total Deposited	
39	26	$59,648.47	$2,880.00	5.0%	3126.42	$65,654.89	25814.89	$39,840.00	earning income of $18,000 x 16% contribution
40	27	$65,654.89	$2,880.00	5.0%	3426.74	$71,961.63	29241.63	$42,720.00	earning income of $18,000 x 16% contribution
41	28	$71,961.63	$2,880.00	5.0%	3742.08	$78,583.72	32983.72	$45,600.00	earning income of $18,000 x 16% contribution
42	29	$78,583.72	$2,880.00	5.0%	4073.19	$85,536.90	37056.90	$48,480.00	earning income of $18,000 x 16% contribution
43	30	$85,536.90	$2,880.00	5.0%	4420.85	$92,837.75	41477.75	$51,360.00	earning income of $18,000 x 16% contribution
44	31	$92,837.75	$3,200.00	5.0%	4801.89	$100,839.63	46279.63	$54,560.00	earning income of $20,000 x 16% contribution
45	32	$100,839.63	$3,200.00	5.0%	5201.98	$109,241.62	51481.62	$57,760.00	earning income of $20,000 x 16% contribution
46	33	$109,241.62	$3,200.00	5.0%	5622.08	$118,063.70	57103.70	$60,960.00	earning income of $20,000 x 16% contribution
47	34	$118,063.70	$3,200.00	5.0%	6063.18	$127,326.88	63166.88	$64,160.00	earning income of $20,000 x 16% contribution
48	35	$127,326.88	$3,200.00	5.0%	6526.34	$137,053.22	69693.22	$67,360.00	earning income of $20,000 x 16% contribution
49	36	$137,053.22	$3,520.00	5.0%	7028.66	$147,601.89	76721.89	$70,880.00	earning income of $22,000 x 16% contribution
50	37	$147,601.89	$3,520.00	5.0%	7556.09	$158,677.98	84277.98	$74,400.00	earning income of $22,000 x 16% contribution

Age	Year	Starting Capital	Deposit	Interest Rate	Year End Interest $	Year End Capital	Total Interest $	Total Deposited	
51	38	$158,677.98	$3,520.00	5.0%	8109.90	$170,307.88	92387.88	$77,920.00	earning income of $22,000 x 16% contribution
52	39	$170,307.88	$3,520.00	5.0%	8691.39	$182,519.27	101079.27	$81,440.00	earning income of $22,000 x 16% contribution
53	40	$182,519.27	$3,520.00	5.0%	9301.96	$195,341.24	110381.24	$84,960.00	earning income of $22,000 x 16% contribution
54	41	$195,341.24	$3,520.00	5.0%	9943.06	$208,804.30	120324.30	$88,480.00	earning income of $22,000 x 16% contribution
55	42	$208,804.30	$3,520.00	5.0%	10616.21	$222,940.51	130940.51	$92,000.00	earning income of $22,000 x 16% contribution
		Summary	$92,000.00	5%	$130,940.51	$222,940.51			

Example 4. Demonstrate the benefits of compound interest. Example: Ages 14-55, Tomu stopped contributing at 33 years old.

Tomu has an accident at age 33 and is no longer able to work. He decides to leave his savings in the superannuation fund until he retires.

Questions

Work out the following information for Tomu:

1. How old is he when the total interest he receives is greater than the total amount deposited into the superannuation scheme?

2. What is the total amount in the superannuation fund by the time he reaches 55 years of age?

3. What is Tomu's total contribution deposited over his lifetime until 55 years of age?

   How much did his employer contribute?

   What is the total contribution deposited over his lifetime until 55 years of age?

   What is the amount of total interest earned over his lifetime until 55 years of age?

4. How much more was added to his superannuation fund by interest than by Tomu's and his employer's contributions?

5. Given the above information, should Tomu stay in the scheme until he is 55, or should he withdraw his contributions when he become unable to work and contribute anymore?

Example 4. Demonstrate the benefits of compound interest. Example: Ages 14-55, Tomu stopped contributing at 33 years old.

Tomu has an accident at age 33 and is no longer able to work. He decides to leave his savings in the superannuation fund until he retires.

Questions

Work out the following information for Tomu:

1. How old is he when the total interest he receives is greater than the total amount deposited into the superannuation scheme?
   (39 years old) Interest = $21,800.37, Total amount deposited = $21,280

2. What is the total amount in the superannuation fund by the time he reaches 55 years of age?
   ($94,039.05)

3. What is Tomu's total contribution deposited over his lifetime until 55 years of age?
   ($520 x 4) + ($800 x 6) + ($960 x 5) = $11,680

   How much did his employer contribute?
   ($800 x 6) + ($960 x 5) = $9,600

   What is the total contribution deposited over his lifetime until 55 years of age?
   ($21,280)

   What is the amount of total interest earned over his lifetime until 55 years of age?
   ($72,759.05)

4. How much more was added to his superannuation fund by interest than by Tomu's and his employer's contributions?
   ($51,479.05)

5. Given the above information, should Tomu stay in the scheme until he is 55, or should he withdraw his contributions when he become unable to work and contribute anymore?

Example 4. Demonstrate the benefits of compound interest. Example: Ages 14-55, Tomu stopped contributing at 33 years old.

Age	Year	Starting Capital	Deposit	Interest Rate	Year End Interest $	Year End Capital	Total Interest $	Total Deposited	
14	1	$0.00	$520.00	5.0%	26.00	$546.00	26	$520.00	at school, $520 saved a year ($10 a week)
15	2	$546.00	$520.00	5.0%	53.30	$1,119.30	79.3	$1,040.00	at school, $520 saved a year ($10 a week)
16	3	$1,119.30	$520.00	5.0%	81.97	$1,721.27	161.27	$1,560.00	at school, $520 saved a year ($10 a week)
17	4	$1,721.27	$520.00	5.0%	112.06	$2,353.33	273.33	$2,080.00	at school, $520 saved a year ($10 a week)
18	5	$2,353.33	$0.00	5.0%	117.67	$2,470.99	390.99	$2,080.00	studying, no contribution
19	6	$2,470.99	$0.00	5.0%	123.55	$2,594.54	514.54	$2,080.00	studying, no contribution
20	7	$2,594.54	$0.00	5.0%	129.73	$2,724.27	644.27	$2,080.00	studying, no contribution
21	8	$2,724.27	$0.00	5.0%	136.21	$2,860.49	780.49	$2,080.00	studying, no contribution
22	9	$2,860.49	$1,600.00	5.0%	223.02	$4,683.51	1003.51	$3,680.00	earning income of $10,000 x 16% contribution
23	10	$4,683.51	$1,600.00	5.0%	314.18	$6,597.68	1317.68	$5,280.00	earning income of $10,000 x 16% contribution
24	11	$6,597.68	$1,600.00	5.0%	409.88	$8,607.57	1727.57	$6,880.00	earning income of $10,000 x 16% contribution

Age	**Year**	**Starting Capital**	**Deposit**	**Interest Rate**	**Year End Interest $**	**Year End Capital**	**Total Interest $**	**Total Deposited**	
25	12	$8,607.57	$1,600.00	5.0%	510.38	$10,717.95	2237.95	$8,480.00	earning income of $10,000 x 16% contribution
26	13	$10,717.95	$1,600.00	5.0%	615.90	$12,933.85	2853.85	$10,080.00	earning income of $10,000 x 16% contribution
27	14	$12,933.85	$1,600.00	5.0%	726.69	$15,260.54	3580.54	$11,680.00	earning income of $10,000 x 16% contribution
28	15	$15,260.54	$1,920.00	5.0%	859.03	$18,039.56	4439.56	$13,600.00	earning income of $12,000 x 16% contribution
29	16	$18,039.56	$1,920.00	5.0%	997.98	$20,957.54	5437.54	$15,520.00	earning income of $12,000 x 16% contribution
30	17	$20,957.54	$1,920.00	5.0%	1143.88	$24,021.42	6581.42	$17,440.00	earning income of $12,000 x 16% contribution
31	18	$24,021.42	$1,920.00	5.0%	1297.07	$27,238.49	7878.49	$19,360.00	earning income of $12,000 x 16% contribution

Age	Year	Starting Capital	Deposit	Interest Rate	Year End Interest $	Year End Capital	Total Interest $	Total Deposited	
32	19	$27,238.49	$1,920.00	5.0%	1457.92	$30,616.41	9336.41	$21,280.00	earning income of $12,000 x 16% contribution
33	20	$30,616.41		5.0%	1530.82	$32,147.24	10867.24	$21,280.00	
34	21	$32,147.24		5.0%	1607.36	$33,754.60	12474.60	$21,280.00	
35	22	$33,754.60		5.0%	1687.73	$35,442.33	14162.33	$21,280.00	
36	23	$35,442.33		5.0%	1772.12	$37,214.44	15934.44	$21,280.00	
37	24	$37,214.44		5.0%	1860.72	$39,075.17	17795.17	$21,280.00	
38	25	$39,075.17		5.0%	1953.76	$41,028.92	19748.92	$21,280.00	
39	26	$41,028.92		5.0%	2051.45	$43,080.37	21800.37	$21,280.00	
40	27	$43,080.37		5.0%	2154.02	$45,234.39	23954.39	$21,280.00	
41	28	$45,234.39		5.0%	2261.72	$47,496.11	26216.11	$21,280.00	
42	29	$47,496.11		5.0%	2374.81	$49,870.91	28590.91	$21,280.00	
43	30	$49,870.91		5.0%	2493.55	$52,364.46	31084.46	$21,280.00	
44	31	$52,364.46		5.0%	2618.22	$54,982.68	33702.68	$21,280.00	
45	32	$54,982.68		5.0%	2749.13	$57,731.82	36451.82	$21,280.00	
46	33	$57,731.82		5.0%	2886.59	$60,618.41	39338.41	$21,280.00	
47	34	$60,618.41		5.0%	3030.92	$63,649.33	42369.33	$21,280.00	
48	35	$63,649.33		5.0%	3182.47	$66,831.79	45551.79	$21,280.00	
49	36	$66,831.79		5.0%	3341.59	$70,173.38	48893.38	$21,280.00	
50	37	$70,173.38		5.0%	3508.67	$73,682.05	52402.05	$21,280.00	
51	38	$73,682.05		5.0%	3684.10	$77,366.16	56086.16	$21,280.00	

Age	**Year**	**Starting Capital**	**Deposit**	**Interest Rate**	**Year End Interest $**	**Year End Capital**	**Total Interest $**	**Total Deposited**	
52	39	$77,366.16		5.0%	3868.31	$81,234.46	59954.46	$21,280.00	
53	40	$81,234.46		5.0%	4061.72	$85,296.19	64016.19	$21,280.00	
54	41	$85,296.19		5.0%	4264.81	$89,561.00	68281.00	$21,280.00	
55	42	$89,561.00		5.0%	4478.05	$94,039.05	72759.05	$21,280.00	
		Summary	$21,280.00	5%	$72,759.05	$94,039.05			

Example 5. Demonstrate the benefits of compound interest. Example: Savings and savings holidays, Years 1-30.

Bano knew it was important to save all her life to get the advantage of compound interest. Gulsher did not have that understanding and thought he could stop and start as it suited him. At the end of 30 years compare their situations.

Questions

1. How many years was Gulsher's savings holiday in total?

2. If Gulsher had saved at the same rate as Bano, how much extra money would he have saved over the same period of time?

3. What percentage is the interest on Gulsher's total sum of money in the bank?

4. How much extra interest did Bano receive?

5. What percentage is the interest on Bano's total sum of money in the bank?

6. Using the information in the tables, draw a graph of Bano and Gulsher's yearly deposits.

7. Using the information in the tables, draw a graph of Bano and Gulsher's total deposits for 30 years.

8. What advice would you give people who are just starting out on their savings plan?

Example 5. Demonstrate the benefits of compound interest. Example: Savings and savings holidays, Years 1-30.

Bano knew it was important to save all her life to get the advantage of compound interest. Gulsher did not have that understanding and thought he could stop and start as it suited him. At the end of 30 years compare their situations.

Questions

1. How many years was Gulsher's savings holiday in total?

   12 out of the 30 years

2. If Gulsher had saved at the same rate as Bano, how much extra money would he have saved over the same period of time?

   $28,000 - $16,000 = $12,000

3. What percentage is the interest on Gulsher's total sum of money in the bank?

   ($12,407.23 ÷ $28,407.23) x 100 = 43.68%

4. How much extra interest did Bano receive?

   $23,698.77 - $12,407.23 = $11,291.54

5. What percentage is the interest on Bano's total sum of money in the bank?

   $23,698.77÷ $51,698.77 x 100 = 45.84%.

6. Using the information in the tables, draw a graph of Bano and Gulsher's yearly deposits.

7. Using the information in the tables, draw a graph of Bano and Gulsher's total deposits for 30 years.

8. What advice would you give people who are just starting out on their savings plan?

Example 5a. Demonstrate the benefits of compound interest. Example: Savings and savings holidays, Years 1-30.

Serious saving for 30 years. Interest rates fluctuate – Bano.

Year	Starting capital	Deposit	Interest Rate	Year End Interest	Year End Capital	Total Interest	Total Deposited
1	$0.00	$500.00	4.3%	$21.50	$521.50	$21.50	$500.00
2	$521.50	$500.00	4.4%	$44.95	$1,066.45	$66.45	$1,000.00
3	$1,066.45	$500.00	4.5%	$70.49	$1,636.94	$136.94	$1,500.00
4	$1,636.94	$500.00	4.6%	$98.30	$2,235.24	$235.24	$2,000.00
5	$2,235.24	$1,000.00	5.0%	$161.76	$3,397.00	$397.00	$3,000.00
6	$3,397.00	$1,000.00	5.2%	$228.64	$4,625.64	$625.64	$4,000.00
7	$4,625.64	$1,000.00	5.3%	$298.16	$5,923.80	$923.80	$5,000.00
8	$5,923.80	$1,000.00	5.0%	$346.19	$7,269.99	$1,269.99	$6,000.00
9	$7,269.99	$1,000.00	4.9%	$405.23	$8,675.22	$1,675.22	$7,000.00
10	$8,675.22	$1,000.00	4.6%	$445.06	$10,120.28	$2,120.28	$8,000.00
11	$10,120.28	$1,000.00	4.3%	$478.17	$11,598.45	$2,598.45	$9,000.00
12	$11,598.45	$1,000.00	3.6%	$453.54	$13,052.00	$3,052.00	$10,000.00
13	$13,052.00	$1,000.00	3.2%	$449.66	$14,501.66	$3,501.66	$11,000.00
14	$14,501.66	$1,000.00	3.3%	$511.55	$16,013.21	$4,013.21	$12,000.00
15	$16,013.21	$1,000.00	4.0%	$680.53	$17,693.74	$4,693.74	$13,000.00
16	$17,693.74	$1,000.00	3.7%	$691.67	$19,385.41	$5,385.41	$14,000.00
17	$19,385.41	$1,000.00	3.5%	$713.49	$21,098.90	$6,098.90	$15,000.00
18	$21,098.90	$1,000.00	3.5%	$773.46	$22,872.36	$6,872.36	$16,000.00
19	$22,872.36	$1,000.00	3.2%	$763.92	$24,636.28	$7,636.28	$17,000.00
20	$24,636.28	$1,000.00	3.8%	$974.18	$26,610.46	$8,610.46	$18,000.00

Year	Starting capital	Deposit	Interest Rate	Year End Interest	Year End Capital	Total Interest	Total Deposited
21	$26,610.46	$1,000.00	3.6%	$993.98	$28,604.43	$9,604.43	$19,000.00
22	$28,604.43	$1,000.00	2.7%	$799.32	$30,403.75	$10,403.75	$20,000.00
23	$30,403.75	$1,000.00	3.5%	$1,099.13	$32,502.88	$11,502.88	$21,000.00
24	$32,502.88	$1,000.00	3.4%	$1,139.10	$34,641.98	$12,641.98	$22,000.00
25	$34,641.98	$1,000.00	3.5%	$1,247.47	$36,889.45	$13,889.45	$23,000.00
26	$36,889.45	$1,000.00	4.0%	$1,515.58	$39,405.03	$15,405.03	$24,000.00
27	$39,405.03	$1,000.00	4.8%	$1,939.44	$42,344.47	$17,344.47	$25,000.00
28	$42,344.47	$1,000.00	4.7%	$2,037.19	$45,381.66	$19,381.66	$26,000.00
29	$45,381.66	$1,000.00	4.0%	$1,855.27	$48,236.93	$21,236.93	$27,000.00
30	$48,236.93	$1,000.00	5.0%	$2,461.85	$51,698.77	$23,698.77	$28,000.00
	Summary	$28,000.00	4.10%	$23,698.77	$51,698.77	$23,698.77	$28,000.00

Example 5b. Demonstrate the benefits of compound interest. Example: Savings and savings holidays, Years 1-30.

Savings holidays over 30 years. Interest rates fluctuate – Gulsher.

Year	Starting Capital	Deposit	Interest Rate	Year End Interest	Year End Capital	Total Interest	Total Deposited	
1	$0.00	$500.00	4.3%	$21.50	$521.50	$21.50	$500.00	saving
2	$521.50	$500.00	4.4%	$44.95	$1,066.45	$66.45	$1,000.00	
3	$1,066.45	$500.00	4.5%	$70.49	$1,636.94	$136.94	$1,500.00	
4	$1,636.94	$500.00	4.6%	$98.30	$2,235.24	$235.24	$2,000.00	
5	$2,235.24		5.0%	$111.76	$2,347.00	$347.00	$2,000.00	savings holiday
6	$2,347.00		5.2%	$122.04	$2,469.04	$469.04	$2,000.00	
7	$2,469.04		5.3%	$130.86	$2,599.90	$599.90	$2,000.00	
8	$2,599.90		5.0%	$129.99	$2,729.89	$729.89	$2,000.00	
9	$2,729.89	$1,000.00	4.9%	$182.76	$3,912.66	$912.66	$3,000.00	serious saving
10	$3,912.66	$1,000.00	4.6%	$225.98	$5,138.64	$1,138.64	$4,000.00	
11	$5,138.64	$1,000.00	4.3%	$263.96	$6,402.60	$1,402.60	$5,000.00	
12	$6,402.60	$1,000.00	3.6%	$266.49	$7,669.10	$1,669.10	$6,000.00	
13	$7,669.10	$1,000.00	3.2%	$277.41	$8,946.51	$1,946.51	$7,000.00	
14	$8,946.51	$1,000.00	3.3%	$328.23	$10,274.74	$2,274.74	$8,000.00	
15	$10,274.74		4.0%	$410.99	$10,685.73	$2,685.73	$8,000.00	savings holiday
16	$10,685.73		3.7%	$395.37	$11,081.11	$3,081.11	$8,000.00	
17	$11,081.11		3.5%	$387.84	$11,468.94	$3,468.94	$8,000.00	
18	$11,468.94		3.5%	$401.41	$11,870.36	$3,870.36	$8,000.00	
19	$11,870.36		3.2%	$379.85	$12,250.21	$4,250.21	$8,000.00	
20	$12,250.21		3.8%	$465.51	$12,715.72	$4,715.72	$8,000.00	

Year	Starting Capital	Deposit	Interest Rate	Year End Interest	Year End Capital	Total Interest	Total Deposited	
21	$12,715.72		3.6%	$457.77	$13,173.48	$5,173.48	$8,000.00	
22	$13,173.48		2.7%	$355.68	$13,529.17	$5,529.17	$8,000.00	
23	$13,529.17	$1,000.00	3.5%	$508.52	$15,037.69	$6,037.69	$9,000.00	serious saving
24	$15,037.69	$1,000.00	3.4%	$545.28	$16,582.97	$6,582.97	$10,000.00	
25	$16,582.97	$1,000.00	3.5%	$615.40	$18,198.37	$7,198.37	$11,000.00	
26	$18,198.37	$1,000.00	4.0%	$767.93	$19,966.31	$7,966.31	$12,000.00	
27	$19,966.31	$1,000.00	4.8%	$1,006.38	$21,972.69	$8,972.69	$13,000.00	
28	$21,972.69	$1,000.00	4.7%	$1,079.72	$24,052.41	$10,052.41	$14,000.00	
29	$24,052.41	$1,000.00	4.0%	$1,002.10	$26,054.50	$11,054.50	$15,000.00	
30	$26,054.50	$1,000.00	5.0%	$1,352.73	$28,407.23	$12,407.23	$16,000.00	
	Summary	$16,000.00	4.10%	$12,407.23	$28,407.23	$12,407.23	$16,000.00	

4.6 Financial planning for the future

Learning Outcomes

Students could demonstrate such knowledge and understandings when they:

(a) Investigate life-stage related financial events;

(b) Investigate how life-styles and life-stages influence choices of financial products;

(c) Determine factors that influence individuals' investment decisions (include values, beliefs and attitudes);

(d) Demonstrate the longer-term financial consequences of decision making;

(e) Show various savings commitments for different sorts of items and how decisions for these differ;

(f) Compare long-term savings goals and trade-offs with short-term goals;

(g) Draw up a simple investment plan;

(h) Monitor the implementation of the investment plan.

Activity: Financial planning for the future

Suggested time: Approximately 11 lessons, depending on activities undertaken.

Resources

As in the Teachers' Resource Manual.

Vocabulary

Emergency fund	Financial consequences	Financial event
Financial goal	Incentives	Investing
Investment decisions	Investment plan	Life-stage
Life-style	Saving	Savings barriers
Savings commitments	Savings goals (long and short term)	Well-being

Lesson One

Savings, incentives and barriers

Refer to your investigations which are part of your Money Smart project at Year 10 level.

Explain what is meant by **"Saving is telling your money where to go instead of wondering where it went."** Students brainstorm what is meant by saving (e.g. any income not spent, money put aside for future use, money in a bank account).

Calculation

Students calculate how much money they would have if they saved $3 a week, every week for a whole year. How much interest would they earn on this money at the end of the year? (Use the current interest rate that Fiji banks offer on call accounts.)

What would they buy with this amount of money?

If the money was left in the savings account, how much money would there be at the end of the next year?

Savings attitudes

Students identify their attitudes to saving by considering these attitude statements:

- Who cares about the future?
- Spending is more fun than saving.
- I just don't want to.
- It is too difficult to think about the future.
- It's too far away to worry about.
- The government will look after me, won't they?
- I'll do it later. I'm much too busy worrying about managing today.
- I don't have to. Mum and Dad can afford to pay cash for whatever I need.
- How many wealthy retired people do you know?

Identify class beliefs related to these statements by lining up on an agree/disagree continuum.

Disagree ____ Agree

Record a response to each of the statements above.

Another way to doing this activity is to write each statement on a separate piece of paper. Pass the paper around the class (or do in groups). Ask the students to record their names on the continuum line. Alternatively attach the sheets to the classroom walls and get the students to walk around the room, recording their names on each paper of paper as they go past.

Case study of Ana

Ana spends money like water. To her, spending money is something that doesn't matter and is fun. So why should she stop doing what she likes and save some of it?

Her older sister, Mereseini, tries to encourage her to not spend everything she gets and she feels annoyed by her attitude. She thinks Mereseini is a bit mean with money, but she feels jealous when she can afford to buy some expensive things that Ana can't seem to scrape money together for. So why should she do what Mereseini suggests?

Any ideas? What would you say to Ana? Brainstorm in groups.

Ana likes to spend money now.

- What does she think are the advantages of not saving?
- What are the disadvantages of not saving, especially when she thinks about a future goal?

Mereseini prefers to try to save.

- What advantages does she get by saving?
- What disadvantages might she encounter?

Give examples of when Ana's "buy now" approach is more appropriate.

Give examples of when Mereseini's attitude is more appropriate?

Assessment

Your own savings scenario.

Choose a situation where you are able to choose between immediate or delayed purchase (e.g. buying a mobile phone).

- How much of your savings would you use and how much would you borrow?
- Present as a poster (include a picture of your chosen purchase)
- What is the consequence of your choice?

Lesson Two

Purpose (reasons) for saving.

Draw the following continuum on the board and ask students to write their names along the continuum.

$$$$$

Get it: Use it	Only spend what I need to spend
Our reasons to not save	Our reasons to not spend (Reasons to save)

Students suggest reasons why they have placed themselves on a particular point on the continuum.

Students suggest:

- Reasons for saving
- Reasons for not saving.

Savings values

Do cultural values limit or act as a barrier to savings behaviour?

Explain and give an example if relevant.

Teacher notes	**Reasons for saving**
Emergencies:	Because I want to build up a reserve fund in case of something unexpected happens
Looking ahead:	Because I might not always be in the financial position that I am now
Calculation:	Because I like to see my money grow with interest being added over time
Improvement:	Because I want more money to spend in the future
Independence:	Because I don't like relying on others and I don't like being held back by lack of money
Enterprise:	Because I cannot do some things without a largish sum of money to start with
Pride:	Because I like the idea of leaving money to my family when I am dead
"Scrooge":	Because I am extremely careful with my money. I don't like spending very much.

Additional whole class or group activities

1. Treasure hunt
   Using the "Find a person who saves" worksheet, students locate someone in the classroom or community who fits the description. Record the name on the sheet.

2. Imagine you were given $5,000 to build up assets or reduce debt.
   What would you do?
3. Explain if there is a difference in building up wealth between buying assets and paying off loans.

4. Talk to someone in the 40+ age group. What do they save for?
   What have they done to achieve financial independence?

5. If saving were made compulsory, what would be a fair amount or rate of saving for each age group?
   Investigate what family/community group members of different age groups think is fair.
   At what age should people start saving?
   What about people who cannot afford to save any money?

Assessment

Describe a successful saving experience. Have there been occasions when you wished you had saved more?

Activity variation/extension

Debate: We all eventually face a limit to the amount of money we can borrow.
What does this mean for our savings behaviour?

Teacher notes – Discussion topics

Reasons for buying now rather than saving for something:

- Having immediate possession which saves other costs
- Expecting price rises (to be greater than the cost of interest on money borrowed)
- Cost of the item too large to accumulate easily by saving
- Genuinely need the item immediately.

Financial independence discussion: Do you need to provide savings for:

- Career changes or redundancy?
- The changing role of the welfare state — health, education personal provision?
- Retirement?

How does saving give choices for:

- Planned expenses/life-style choices?
- Unexpected circumstances/events?
- Your confidence that you can meet cultural obligations?
- Wealth and security?

Find a person who saves …

Because I don't like relying on others and I don't like being held back by lack of money	Because I cannot do some things without a large sum of money to start with	Because I want to build up a reserve fund in case something unexpected happens
Because I am extremely careful with my money. I don't like spending very much	Because I want more money to spend in the future	Because it is a habit
Because I might not always be in the financial position that I am now	Because I like the idea of leaving money to my family when I am dead	Because I like to see my money grow with interest being added over time

Lesson Three

Savings strategies

These could include “paying yourself first”, using payroll deductions, pre-allocating spending and saving proportions of income, and comparison shopping to spend less.

Pay yourself first

Does this mean:

(a) Save some money first before you start to spend any?

(b) Give yourself an hourly wage for doing the household chores?

(c) Give yourself some extra spending money before you consider paying your bills?

(a) is the correct answer.

What method could you use to make sure that you put some money away for savings before you start spending?

Students may decide on an automatic transfer to a savings account or putting aside 10% on a separate part of the wallet every time money is spent and banking that in a special account or putting in a money box until it is partly full.

Suggest where this money could be best stored.

Regular saving keeps your investment plan on track

Regular saving encourages you to:

(a) Be more aware of what your investments are doing;

(b) Take advantage of a small amount growing to a larger amount (time and compounding);

(c) Make savings a habit, and remove the likelihood of not saving anything at all.

Which one of these is true? They all are!

Explain and give an example of each of the following ways to save.

Using payroll deductions method:

....

....

....

Pre-allocating spending and saving proportions of income:

Comparison shopping to spend less:

Value of an emergency fund

Scenarios

What would you or your family do if:

- Your grandfather, who lived in a village on another island, died suddenly?
- Your refrigerator broke down and you were storing a large quantity of food for an event at the end of this week?
- The brakes on the family car fail and you need the car urgently?

How much should be kept in an emergency fund for each event?

Emergency event	**Emergency fund**
Your grandfather, who lived in a village on another island, died suddenly?	
Your refrigerator broke down and you were storing a large quantity of food for an event at the end of this week?	
The brakes on the family car fail and you need the car urgently?	

Assessment

Describe a time when you didn’t compare prices whilst shopping.

Explain the outcome of your behaviour.

Explain the impact the outcome had on your future thinking about spending.

Lesson Four

Understand the longer-term financial consequences of saving

Students work out (from their Form Four Task how much of the money they have received they could save? (5%-20%?)
Does this percentage or amount change at different stages of the life-cycle?

The following table outlines possible income allocations according to age:

	Under 35	**35-50**	**Over 50**
Short-term account (savings)	10%	10%	10%
Long-term account (investment)	10%	15%	20%
Living expenses (including debt repayment)	80%	75%	70%

1. What items would be included in the daily living category?

2. What items would short-term savings cover?

3. What is the purpose of long-term savings?

4. What financial product/s would you use when you don’t want to use or have access to) your savings for a long time?

5. How would you manage saving for cultural obligations?

Calculation

Calculate the amount of income allocated to each category (short-term account, long-term account, living expenses account) using the following ages and income levels.

Under 35s with a net income of

Category	$8,000	$12,000	$20,000	$40,000
Living expenses account				
Short-term account				
Long-term account				

35-50 year olds with a net income of

Category	$12,000	$20,000	$35,000	$40,000
Living expenses account				
Short-term account				
Long-term account				

Over 50s with a net income of

Category	$20,000	$35,000	$40,000	$50,000
Living expenses account				
Short-term account				
Long-term account				

Identify possible reasons why the suggested income allocations change according to age.

What impact does this have on savings opportunities?

Give an example of how saving improves financial well-being?

Using an Excel spreadsheet, how much would you have saved using the current interest rates?

(The Excel spreadsheet used for the Form Four Task can be used for this exercise.)

- Use a starting salary and save 10% a year
- Use a starting salary and save 20% a year.

Saving Early

The earlier you start saving, then the wealthier you can become.

The power of compounding interest – the cost of waiting

Three friends decide to save $100 per month ($3 per day) @ 10% until the age of 65.

Prudent Peni starts at age 25

His savings accumulate to $636,678 at age 65

Slow Samu starts at age 26

His savings accumulate to $576,087 at age 65

Samu misses out on $61,591

Spendthrift Selena starts at age 35

Her savings accumulate to only $227,933 at age 65

Selena misses out on $409,745

The secret is:

Start saving early

Are saving and investment two sides of the same coin?

Distinguish saving and investment.

Explain what is meant by the two following sayings:

"Saving naturally and necessarily comes before investing because we can only invest what we have saved." Charles D. Ellis

"Your financial security will ultimately depend on the amount of money you are able to put aside for savings and investments." Martin Hawes

Lesson Five

Short, medium and long-term financial goals

What are goals? Goals are dreams with deadlines.

Examples of financial goals include:

- Save $20 a week
- Save for a new mobile phone
- Pay off money you borrowed from your parents
- Increase your income by $1,000 in the next year.

Which of these are financial goals?

	Situation	**✓ or ×**
1	I don't ever want to be in debt.	
2	I am sure I will have enough money to pay off my credit card when it is due.	
3	I worry that I will not do well at school.	
4	I don't have to be top of the class to get into the course I want.	
5	I don't expect people to like me when I first meet them.	
6	If I plan well, I am sure I could save enough money for that school trip.	
7	I don't like going to the letter box in case there are bills there I cannot pay.	
8	My friends had trouble getting a job. I'll never get one.	
9	I have a routine for keeping fit, which is helping me with my sporting activities.	
10	I can always find something interesting to do. I am never bored.	

Goal setting

Put a tick in the last column if the financial goal is written effectively.

Goal	**✓/ ×**
Roshni wants to be debt-free by the time she is 40.	✓
Mele wants to save up for the school netball team's trip to Australia.	× (how much?)
Krishna has a dream of being able to afford a car.	× (when, how much, type)
Filipe is keen to save some money as he wants to go to university.	× (how much?)

"A goal properly set is half-way reached." Abraham Lincoln

Here are some goal-setting tips:

- Be specific
- Do not limit your goals because you are unsure how they will look like
- Always write the goal in the present tense
- Write goals for you – not others.

The first stage is knowing where you want to go. The second stage is having a plan to get there. Goals that are **SMART** are more likely to be achieved.

SMART Criteria	Meaning
Specific	The goal should refer to a specific action or event that will take place.
Measurable	The goal and its benefits should be quantifiable.
Achievable	The goal should be possible to achieve, given available resources.
Realistic	The goal should stretch you some but still allow the likelihood of success.
Time Bound	The goal should state the time period in which it will be achieved.

To set a SMART goal, it would be helpful to answer the six 'W' questions:

- **Who?** Who is involved?
- **What?** What do I want to accomplish?
- **Where?** Identify a location
- **When?** Establish a timeframe
- **Which?** Identify requirements and constraints
- **Why?** Specific reasons, purposes and benefits of accomplishing the goal.

Students write a number of financial goals.

Financial Goal	SMART (?)	Timeframe

Time bound?

A goal should be set within a **timeframe**. With no timeframe tied to it, there's no sense of urgency. If you want to save $1,000, when do you want to save it by? "Some day" won't work. But if you anchor it within a timeframe, "by December 12th", then you've set your unconscious mind into motion to begin working on the goal.

Timeframe?

Goals can be, **short** term, **medium** term or **long** term.

"Whoever wants to reach a distant goal must take small steps." Helmut Schmidt

Short-term goals

Goals that can be reached in a short amount of time are called short-term goals. **To attend sports practice tomorrow night** is an example of a short-term goal because the amount of time to reach it is fairly close to the present time.

Long-term goals

Goals that take longer to reach are called long-term goals. "**To go overseas to study"** is an example of a long-term goal because the amount of time to reach it can be a number of years.

Short term	up to one year
Medium term	1-5 years
Long term	5 years or more.

Students revisit financial goals table and add in timeframes.

Assessment

Impact of decisions on future opportunities

Students select three of the financial goals.

Describe how decisions made today can affect future opportunities.

Lesson Six

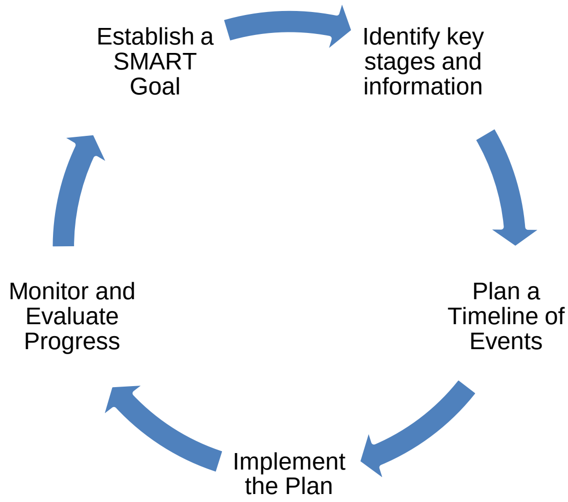
Links between short-term savings and the achievement of a financial goal

In order for a financial goal to be achieved, there has to be a plan. Short-term savings is a part of that plan.

"Failing to plan is planning to fail." Alan Laiken

There are **key steps** to effective planning:

- Establish a SMART goal/target
- Identify the key stages that need to happen or information required, in order to meet the goal
- Sequence the activities
- Implement the plan
- Monitor and evaluate progress.



Students identify the savings activities that will support the achievement of their financial goals.

Case study

Alisi wanted to save up enough money to buy a laptop which was going to cost $1,000. She thought of a number of different options to help her save enough funds to purchase her new laptop.

She could:

- Get a part-time job or increase her hours worked at her current job
- Start a savings scheme with a financial institution
- Save a particular amount every week into a money box.

She decided to weigh up these alternatives and their consequences.

For example

How to get the money and what to do with it?	Consequences?
Part-time Job	School grades may suffer Do I have the time? Less time for other activities
Increase Hours Worked	School grades may suffer. Do I have the time? Less time for other activities
Savings Account	Withdrawal charges Relatively easy What choices are available? How much interest is payable?
Term Deposit	Costs to set up? Flexibility? Are there age restrictions? How much interest is payable?
Money Box	Loss of interest earned Easy Is this a safe option? Will inflation erode the value?

What should Alisi do to reach her savings target for her phone?

Saving for charitable giving and cultural obligations.

There are only five ways to use money:

1. Pay taxes (usually not optional)
2. Share it (give it away)
3. Spend it on the past (repaying debt)
4. Spend it on the present (today's living)
5. Spend it on the future (savings).

Students discuss what order they would put the following in: Share, Save, Spend (wisely)

Use of money	Priority order	Reason
Share		
Save (short term)		
Save (long term)		
Spend (wisely)		

Revisit the table on income allocation

	Under 35	35-50	Over 50
Short-term account (savings)			
Long-term account (investment)			
Living expenses (including debt repayment)			
Sharing			

Which category does sharing come into or is it an additional category?

Students re-calculate the percentages for each category.

Assessment

Write a paragraph about the links between short-term savings and the achievement of a financial goal.

Lesson Seven

Life-stages and related events

Brainstorm

How old is a person who …

Description	Life-stage (age range)
Believes that money is something you eat	
Is dependent on their parents but would like to be independent	
Is studying to get a qualification for a career	
Is starting their first job	
Is single and self-supporting	
Has made a relationship commitment and started a family	
Has a growing family and many family commitments	
Has children who have left home	
Is nearing or is in retirement	

Students work in groups and draw a life-cycle line on a large sheet of paper.

0 10 20 30 40 50 60 70 80 90 100

YEARS

Place the following life events (on the next page) on the life-cycle line:

- It is important to recognise that some events
- Can occur more than once
- May never occur
- May occur in a non-conventional way
- May be group specific events.

Life-events cards

Get a driver’s licence	Wedding	Living away from home	Job training
Take a holiday	Get a TIN number	Buy second home	Open a bank account
Continuing education	Travel overseas	Funeral costs	First child
Buy a car	Join a superannuation scheme	Leave home	Get first bicycle
Christening expenses	Go shopping on my own	Get a credit card	Get an ATM card
Do banking by internet	Have a part-time job	Buy furniture for first time living away from home	Get an allowance (pocket money)
Research investments	Serious illness	Get first mobile phone	Support relatives in village
Buy MP3 Player	Buy first home	Buy first computer	Retirement
Work overseas	Join a sports team	Go to a tertiary institution	First full-time job
Church obligations	Death of partner	My life expectancy	First savings account

Identify which events are financial related events and which are not.

Non-financial related events	Financial related events

Assessment

Identify the financial decisions or planning decisions that you would need to make if you are going to manage the life-cycle event well.

For example:

Buy a car

In advance I would need to:

1. Save up $5,000
2. Get a driver's licence
3. Investigate car insurance

Lesson Eight

Life-stage and life-cycle choice of financial products

Using the table previously prepared of the list of financial related events:

- Investigate which financial related events require a decision about a financial product.

Potential financial products include:

- On-call savings account
- Credit card
- Long-term savings account (term deposit)
- Insurance products such as
  - Life insurance
  - Car insurance
  - House and contents insurance
  - Income protection insurance
  - Travel insurance
  - Health insurance
- Superannuation products
- Internet banking.

Ask family members which financial products they would suggest or recommend for a particular life-stage or life-style.

Assessment

Prepare a poster for display in a community place. The poster will encourage people to think about the relationship between a financial event and a financial product.

Lesson Nine

Factors that influence individuals' investment decisions

Research activity

There are a number of factors that influence investment decisions. It is rarely that only one factor is the basis for the decision.

Factors could include:

- How easy it is to turn the investment into cash (liquidity)
- What the returns on the investment are
- How long the investment has to be held for
- What type of products an investment fund buys (national products, socially responsible products, environmental products etc)
- What experience the investor has in investing in various products and the outcomes
- How prepared the investor is to lose or gain money
- How much risk the investor is happy to accept
- How skilled, confident, cautious, familiar with the product etc the investor feels
- The investor's view of the finance industry

Investigate the influences of investment decisions within a family or community group.

Students could prepare a (group/class) questionnaire which could ask which investments have been purchased, and what influenced the purchase.

Assessment

Present findings to the class.

Lesson Ten

The longer-term financial consequences of decision making.

> *"Begin with the end in mind."*
>
> *Stephen Covey*

Long-term thinking and planning is essential for long-term financial security and independence. Personal financial planning is described as a process of determining your financial goals, your life's priorities and, after considering your resources, risk profile and current life-style, prepare a balanced and realistic plan to meet your goals

Long-term planning

Short-term goals are those which we want to achieve within the next year. Examples of these could be saving for a school trip overseas or buying a consumer item which is not too expensive – say under $500.

Medium-term goals are those which we want to achieve in the next few years – say within five years' time. Examples of these could be to complete qualifications and start repaying a student loan, or saving for that overseas experience.

Long-term goals are those that are further out than five years. It could involve purchasing a house or planning how to fund retirement.

Long-term decisions could involve:

- Setting up emergency funds/financial provision for a loss of income or unexpected expense
- Protecting against risks through insurance
- Financial provision for retirement
- Financial provision for anticipated expenses, such as children's education or a major purchase.

The following people find themselves in particular situations as a result of having made decisions in the past. What decisions did they make earlier in their lives? What consequences do they now face as a result of their decisions?

> Eliki
>
> Eliki has always believed that he is bullet-proof. He lived life to the full and borrowed as much as he could to pay for all the things he wanted. He has recently had a sudden emergency and has to borrow extra money from a money lender who has taken his ATM card to ensure that the debt is repaid. Eliki is now struggling to pay the day-to-day bills.

Financial decision:

Longer-term consequences of his life-style decisions:

Solomone

Solomone's grandparents were very careful with money. They often talked with him about "saving up for a rainy day." When Solomone was 20 years old, he got his first job after finishing his tertiary studies. He decided to join a superannuation scheme. Always, he heard his grandparents' voices saying: "Never touch your long-term savings." Now he is in his late 50's and can afford to retire without having to worry.

Financial decision:

Longer-term consequences of his decisions:

Manish

Manish went to university and borrowed money for his studies. He now works in a business practice and enjoys his better than average income. He has not paid back his loan, thinking that he has plenty of time for that. He has seen a house he would like to buy and has asked his bank for a loan. The bank has declined to lend him the money as he still has outstanding debts which they consider make him a poor risk.

Financial decision:

Longer-term consequences of his decisions:

Ranjeet

Ranjeet was a favourite nephew. His aunt had no children, and when he was 18 years old, she died, leaving him $40,000. He did some research about investments. He decided to invest $10,000 in a successful Fiji forestry investment, put a lump sum to kick start his superannuation scheme, and use the balance to pay for his way through tertiary so he did not have to get a student loan.

Financial decision:

Longer-term consequences of his decisions:

How far into the future should you plan? Most people can plan as far ahead as they have already lived. If you are 20, you can most likely plan for being 40.

Currently I am __________________ which means that I can plan for being __________________.

By that time I would like to achieve:

Goals	**Length of time to achieve this**	**Cost**

Assessment

Savings commitments

Students investigate different items that people have saved up for.

Students should find out about:

- Two short-term items (that take less than a year to save for)
- Two medium-term items (that take 1-5 years to save for)
- Two long-term items (that take over five years to save for).

Use the “story” technique to find out:

- What the item was
- How long it took to save for (or pay it off) that item
- What decisions were made about how to save/borrow and pay back etc.

Lesson Eleven

Long-term savings goals and trade-offs with short-term goals.

Revisit the life-cycle line

Classify the financial related items into short-term and long-term goals.

If you can, put a dollar figure beside each goal.

Short-term goals	Long-term goals

Identify where the trade-offs between short and long-term goals are likely to come up (e.g. trade-offs between saving for retirement, saving for a house, saving for education, payment of cultural obligations etc). In groups, make decisions about how to manage these trade-offs.

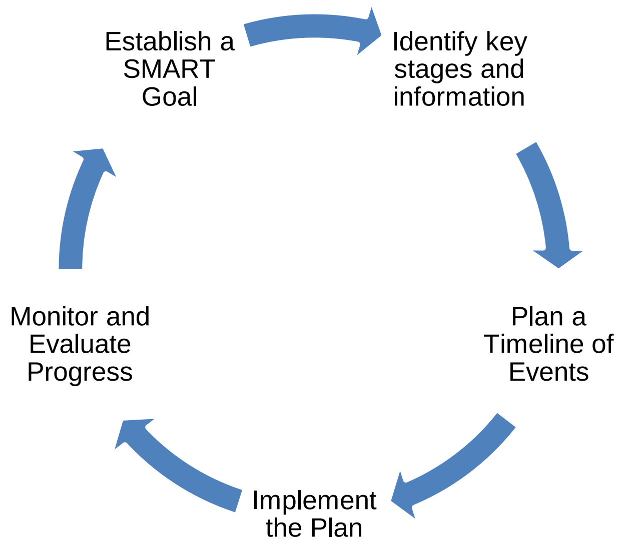
Assessment (part of the Form Four Task)

My savings and investment plan.

Using the material in "Money Smart", develop your personal investment plan. Part of the Money Smart assignment is to monitor your investment plan.

Alternatively, use the **key steps** to effective planning, referred to earlier: These are:

- Establish a SMART goal/target
- Identify the key stages that need to happen or information required in order to meet the goal
- Sequence the activities
- Implement the plan
- Monitor and evaluate progress.



Use the diagram to write down the steps in your personal plan.

On our journey through life we tend to go through stages. The stage we find our self in will have an impact on our financial planning. Modigliani and Brumberg (1954) devised a model to explain these stages. Here is a simplified version:

Individual supported by parents
Income very low
Few financial decisions

Young single
Income barely matches expenditures – no significant savings
Financial decisions tend to be mostly short term
Purchase car, clothes, music systems
Budgeting is important

Young couple, no children
Income greater than expenditures – some savings
Purchase home furnishings
Purchase home

Couple (or individual) with children
Income approximately equal to expenditure
Upgrade house
Purchase children's toys, clothing and supplies
Purchase life insurance
University tuition expenses
Debt management is important

Empty nesters
Income greater than expenditure
Purchase investments
Retirement planning is important
Tax considerations are important

Retired
Income less than expenditure
Live off savings
Purchase medical and nursing services
Estate planning is important

These financial activities need not occur in the stages as described. In fact, it is beneficial to do many of them as early as you can. Estate planning, investment planning and retirement planning should all be done as soon as possible.

5.0 Financial Education Games

Vuli the Vonu

CREDIT CRUNCH

→	Expenditure Bought a ticket for a boxing match for $10		Income Found $10 in the pocket of your old shorts		Interest Rate		Expenditure $20 fine for littering		Income Received $40 in a talent competition Return to start
Interest Rate		Income Received $5 interest from Savings account		Expenditure Bought a new pair of jeans for $40		Interest Rate		Income Win $40 in the school talent quest	←
→	Interest Rate		Expenditure Paid $30 for lost text book		Income Received $30 from sales at your market stall		Interest Rate		Expenditure Buy new sports shoes $80
Income Earned $20 from your vegetable stand		Expenditure Bought new stamp album for $25		Interest Rate		Income Won $30 in a Mathematics competition		Expenditure Replaced lost calculator for $20	←
→	Income Earned $30 from handicraft sale		Interest Rate		Expenditure Damaged school property. Paid $20		Income Won $40 in an essay competition		Interest Rate
Expenditure Bought a rugby game ticket for $8		Interest Rate		Income Sold mobile phone. Received $70		Expenditure Purchased a USB data stick for $15		Interest Rate	←
Start →	Expenditure Bought a bula shirt for $25		Income Received $20 from Mapiga as a gift		Interest Rate		Expenditure Spent $15 on a cultural show ticket		Income Won $40 in a raffle

Interest Rate Squares

If you land on an Interest Rate square, roll the dice and follow the instructions below:

If you roll a:

1 or 4	Interest rates increase by 0.1
2 or 5	Interest rates remain the same.
3 or 6	Interest rates decrease by 0.1

Interest Rate	Interest Factor
2.6 %	1.026
2.5 %	1.025
2.4 %	1.024
2.3 %	1.023
2.2 %	1.022
2.1 %	1.021
2.0 %	1.020
1.9 %	1.019
1.8 %	1.018
1.7 %	1.017
1.6 %	1.016
1.5 %	1.015
1.4 %	1.014

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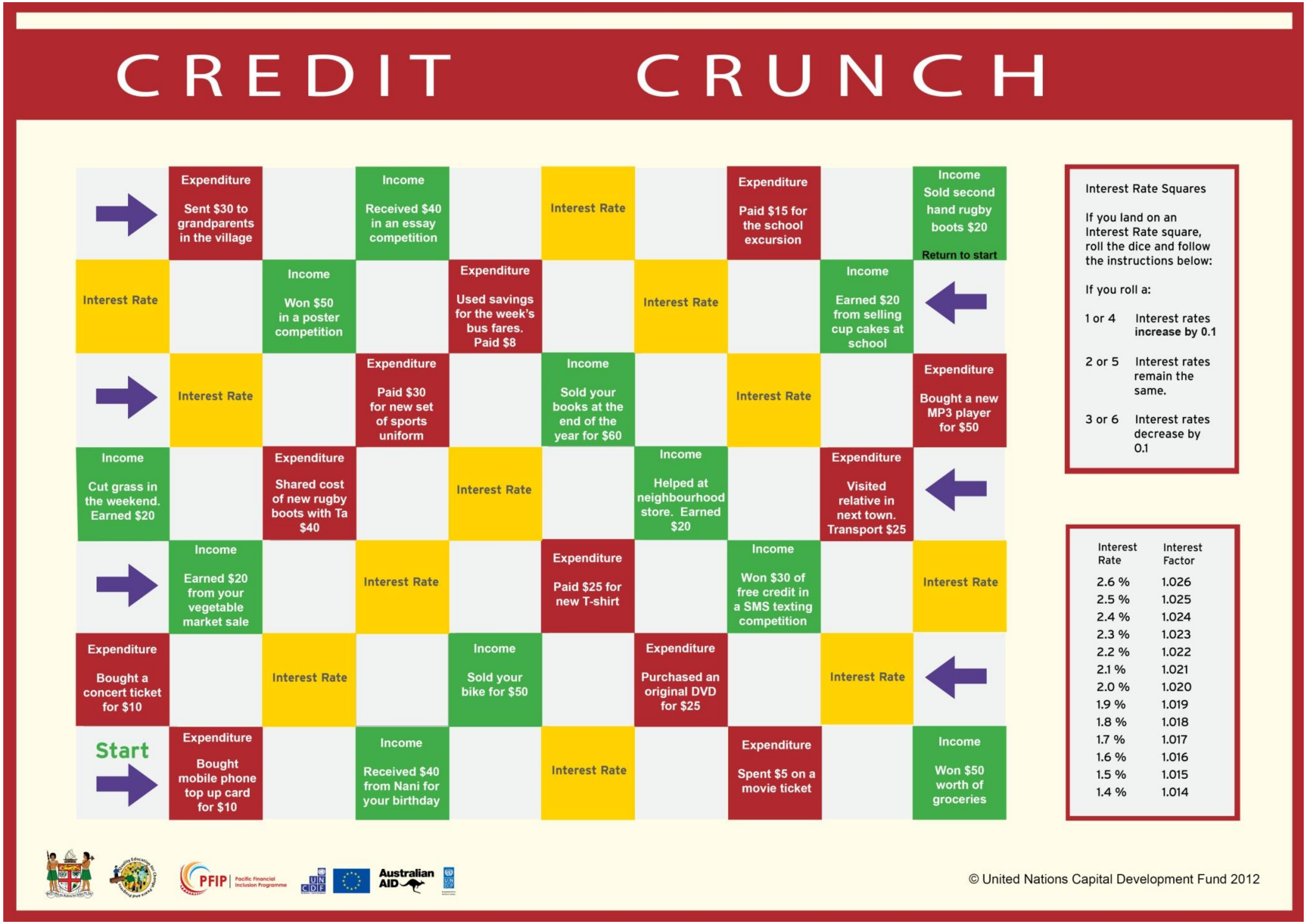
CREDIT CRUNCH
Expenditure Sent $30 to grandparents in the village
Income Received $40 in an essay competition
Interest Rate
Expenditure Paid $15 for the school excursion
Income Sold second hand rugby boots $20 Return to start
Interest Rate
Income Won $50 in a poster competition
Expenditure Used savings for the week's bus fares. Paid $8
Interest Rate
Income Earned $20 from selling cup cakes at school
Interest Rate
Expenditure Paid $30 for new set of sports uniform
Income Sold your books at the end of the year for $60
Interest Rate
Expenditure Bought a new MP3 player for $50
Income Cut grass in the weekend. Earned $20
Expenditure Shared cost of new rugby boots with Ta $40
Interest Rate
Income Helped at neighbourhood store. Earned $20
Expenditure Visited relative in next town. Transport $25
Income Earned $20 from your vegetable market sale
Interest Rate
Expenditure Paid $25 for new T-shirt
Income Won $30 of free credit in a SMS texting competition
Interest Rate
Expenditure Bought a concert ticket for $10
Interest Rate
Income Sold your bike for $50
Expenditure Purchased an original DVD for $25
Interest Rate
Start
Expenditure Bought mobile phone top up card for $10
Income Received $40 from Nani for your birthday
Interest Rate
Expenditure Spent $5 on a movie ticket
Income Won $50 worth of groceries
Interest Rate Squares
If you land on an Interest Rate square, roll the dice and follow the instructions below:
If you roll a:
1 or 4 Interest rates increase by 0.1
2 or 5 Interest rates remain the same.
3 or 6 Interest rates decrease by 0.1
Interest Rate | Interest Factor
2.6 % | 1.026
2.5 % | 1.025
2.4 % | 1.024
2.3 % | 1.023
2.2 % | 1.022
2.1 % | 1.021
2.0 % | 1.020
1.9 % | 1.019
1.8 % | 1.018
1.7 % | 1.017
1.6 % | 1.016
1.5 % | 1.015
1.4 % | 1.014
PFIP Pacific Financial Inclusion Programme
UN CDF
Australian AID
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Credit Crunch Board game contents

- game board
- dice/counters
- lesson template
- laminated rules
- 25 x accounting sheets
- examples of accounting/recording
- photocopy master CD.

Credit Crunch Board game documents

- lesson plan overview
- board game assessment
- game rules
- Credit Crunch Accounting Sheet
- interest factor explanation
- interest factor calculator master
- examples of monthly repayment calculations for:
    - compounding interest repayments
    - interest only repayments
    - regular repayments
    - fast-track repayments.

Activity overview – Credit Crunch	Financial ideas	Vocabulary
The Credit Crunch board game is designed to help children understand how credit operates. Through playing the game, they experience the consequences of varied repayment levels, as well as factors outside their control such as interest rate rises and drops and the financial risks experienced in people's daily lives. Each player is provided with a credit card with a $1,000 credit limit. Players have decided to purchase the latest mobile phone on special for $1,000 using their credit card for payment. The $1,000 must be paid back over 12 months. To start the game, players throw the dice to determine their credit card repayment level. There are four levels of repayment: **Player 1**: Makes no monthly repayments. At the end of the financial year they must repay the original amount borrowed plus the compounded interest. **Player 2:** Pays interest only payments each month on original amount borrowed. At the end of the financial year they must repay the $1,000 borrowed.	**Income and money management** 1. What you decide to spend your money on today has consequences now and in the future. 2. People can plan for short and longer-term spending options. 3. There are a variety of systems available for keeping financial records. 4. There are different ways to pay for things, and some may involve use of credit. 5. Credit is the ability to borrow money. 6. Most forms of credit have an interest charge which has to be paid on top of the amount borrowed. 7. Debt is what is owed. 8. Manageable debt is when you are able to pay all your debts and normal expenses within your income. 9. Bad debt is when you have to pay for consumer, rather than investment, spending. 10. If you pay now (using credit), you may avoid price rises and you get to use the product while you are paying it off. 11. If you use credit to buy something now it means you have to pay that money back in the future. This means you have less money to spend on other things.	Credit Debt Credit card Manageable debt Interest Interest rate Compounding interest Consequences Financial records Income Expenditure Risks Rewards Repayment Balance Purchase Transaction Deposit Withdrawal Balance

<table>
<tr><th>Activity overview – Credit Crunch</th><th>Financial ideas</th><th>Vocabulary</th></tr>
<tr><td>Player 3: Pays regular monthly repayments on their credit balance. Monthly payments = credit card balance + interest payment ÷ months remaining in the financial year. Any outstanding balance must be paid at the end of the financial year.

Player 4: Pays fast track repayments on their credit balance. Monthly payments = credit card balance + interest payment ÷ months remaining in the year (x 2). This player can cease monthly payments as soon as the credit card is paid off in full. Any outstanding balance must be paid at the end of the financial year.

See game rules for play instructions.</td><td><u>Financial planning and wealth</u>
1. The choices we make as individuals impact on our wealth.
2. The financial decisions we make have consequences for ourselves, families and the community.
Financial risk is the possibility of events occuring that have a negative financial effect.</td><td></td></tr>
<tr><th>Values</th><th colspan="2">Financial competencies</th></tr>
<tr><td><u>Innovation, inquiry and curiosity</u>
By thinking critically, creatively and reflectively about choices, benefits, and costs when earning, spending, saving and borrowing money.
<u>Integrity</u>
By taking responsibility for decisions and choices made when earning, spending, saving and borrowing money.
<u>Respect</u>
Understanding and respecting different viewpoints with relation to income and money management.</td><td colspan="2">1. Be confident with key financial terms and concepts.
2. Select and use financial tools interactively to achieve financial goals.
3. Gain and apply relevant financial knowledge, skills and values.
4. Set and achieve financial goals appropriate to personal and communal values.
5. Become empowered to make informed judgements and decisions.
6. Recognise financial consequences.
7. Understand the importance of time and commitment for achieving financial goals.</td></tr>
</table>

Learning outcomes	Reflective questions/discussion
Students will: 1. Identify the advantages and disadvantages of borrowing, using credit cards. 2. Compare and contrast the costs of buying on credit. 3. Understand the need to plan and manage debt. 4. Understand and use sums of money in calculations. 5. Show the impact of debt on current and future spending options. 6. Describe the impact of credit costs and credit timeframes on different forms of credit arrangements. 7. Identify the difference between good and bad debt, and manageable and unmanageable debt. 8. Use money management tools accurately to track earning, spending savings, and borrowing. 9. Be able to calculate interest rates. 10. Be able to distinguish between credit and debt. 11. Know some strategies for managing financial risks. 12. Be able to give examples of how financial decisions we make today have consequences now and in the future.	1. What risks did you encounter during the game and what were the consequences of these on your savings? 2. What rewards did you encounter during the game and what were the consequences of these on your savings? 3. What factors that affected your financial position in the game did you have control over? 4. What factors that affected your financial position in the game did you have no control over? 5. What are the benfits and/or costs associated with keeping track of our income, spending and borrowing? 6. What are the benefits and/or costs of borrowing money? 7. What are the consequences of getting into debt? 8. How do interest rate increase and decreases affect our ability to repay debt? 9. How can we plan to repay debt and still enjoy spending on needs and wants? 10. How can we minimise financial risks?

Mathematics and statistics links	Assessment ideas
Number and algebra **Number strategies** • use a range of additive strategies with whole numbers, decimals and percentages • use a range of multiplicative strategies when operating on whole numbers • understand addition and subtraction of decimals **Number knowledge** • know counting sequences for whole numbers • know percentages in everyday use • find percentages of amounts expressed as whole numbers • know the relative size and place value structure of positive and negative integers and decimals to three places	1. Students complete the self-assessment rubric for learning outcomes at the start and completion of trial period. Compare success over time. 2. Over a number of games, assess students accuracy in completing the Credit Crunch Accounting Sheet. Compare success over time.

Credit Crunch board game assessment

Success criteria	Novice	Developing	Accomplished	Expert	Self	Peer
I understand and can use sums of money in calculations with accuracy.	Recording of money earned, saved, spent and borrowed is not yet accurate.	Recording of money earned, saved, spent and borrowed is sometimes accurate.	Recording of money earned, saved, spent and borrowed is generally accurate.	Recording of money earned, saved, spent and borrowed is consistently accurate.		
I can record money transactions accurately using financial tools.	Not yet able to record money transactions accurately using financial tools.	Sometimes able to record money transactions accurately using financial tools.	Generally records money transactions accurately using financial tools.	Consistently records money transactions accurately using financial tools.		
I can calculate interest rates.	Not yet able to calculate interest rates.	Sometimes able to calculate interest rates.	Generally able to calculate interest rates.	Consistently able to calculate interest rates.		
I can distinguish between credit and debt.	Not yet able to differentiate between credit and debt.	Sometimes able to differentiate between credit and debt.	Generally able to differentiate between credit and debt.	Consistently able differentiate between credit and debt.		
I can give examples of financial consequences of obtaining credit.	Not able to give examples of financial consequences of obtaining credit.	Able to give some examples of financial consequences of obtaining credit.	Generally able to give examples of financial consequences of obtaining credit.	Consistently able to give examples of financial consequences of obtaining credit.		
I can distinguish between good and bad debt.	Not yet able to distinguish between good and bad debt.	Sometimes able to distinguish between good and bad debt.	Generally able to distinguish between good and bad debt.	Consistently able to distinguish between good and bad debt.		
I can give examples of strategies for managing financial risk.	Not yet able to give examples of strategies for managing financial risk.	Sometimes able to give examples of strategies for managing financial risk.	Generally able to give examples of strategies for managing financial risk.	Consistently able to give examples of strategies for managing financial risk.		

Something I did well in this activity was:

Something I can work on is:

Achievable target (what I will do next):

Game rules: Credit Crunch

Number of players: four

1. Roll **one** dice to determine each player's monthly repayment and the order of play. The player who rolls the highest number starts first. The player who rolls the lowest number starts last.

   Level one: Each player rolls one dice.

   Level two: Each player rolls two dice.

   Monthly loan repayments

   Player One (rolled lowest number on dice)

   Makes no monthly repayments. At the end of the financial year they must repay the original amount borrowed plus the compounded interest.

   Player Two (rolled the second lowest number on dice)

   Pays interest only payments each month on original amount borrowed. At the end of the financial year they must repay the $1,000 borrowed.

   Player Three (rolled second highest number on dice)

   Pays regular monthly repayments on their credit balance. Monthly payments = credit card balance + interest payment ÷ months remaining in the financial year. Any outstanding balance must be paid at the end of the financial year.

   Player Four (rolled the highest number on dice)

   Pays fast track repayments on their credit balance. Monthly payments = credit card balance + interest payment ÷ months remaining in the year **(x 2)**. This player can cease monthly payments as soon as the credit card is paid off in full. Any outstanding balance must be paid at the end of the financial year.

2. Each player is paid $200 income at the beginning of each month.

3. Each player rolls **two** dice. The numbers on the dice can be used in any order to the benefit of the player. If a player rolls doubles, they can choose to use the numbers or roll again.

   If you land on a **red** square this transaction is recorded on the accounting sheet as a **withdrawal**.
   If you land on a **green** square this transaction is recorded on the accounting sheet as a **deposit.**
   If you land on a **yellow** square, throw **one dice** and follow the instructions on the game board (see Interest Rate Squares/Interest Factor).

   All players record the interest rates on their own Credit Crunch Accounting Sheet.

4. Each player records their monthly credit card repayment on their accounting sheet.

   The monthly repayment is calculated by taking the outstanding credit card balance x the current interest factor ÷ the number of months remaining in the year **(examples of accounting sheets for each player are provided for the teacher to use with their students)**. If a player has a negative balance, they cannot repay their monthly credit card payment. If a player is unable to make a monthly payment they incur a fine of $50. The $50 penalty is added to their outstanding credit card balance. If a player is unable to make three consecutive monthly payments they are out of the game.

5. Repeat Steps 2-4 for each month from the beginning of April through to the end of March.

6. Each player makes their final loan repayment.

7. The winner is the player who has repaid their credit card balance and has the highest balance in their bank account and accurate accounting.

Format for Credit Crunch – type of repayment:

☐ compounding interest repayment

☐ interest only repayment

☐ regular repayment

☐ fast-track repayment

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
April	Wages									
(÷ 12)										
	Credit card repayment									
May	Wages									
(÷ 11)										
	Credit card repayment									

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward									
June	Wages									
(÷ 10)										
	Credit card repayment									
July	Wages									
(÷ 9)										
	Credit card repayment									
Aug	Wages									
(÷ 8)										
	Credit card repayment									
Sept	Wages									
(÷ 7)										
	Credit card repayment									

Bank account					**Credit card payment**					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward									
Oct	Wages									
(÷ 6)										
	Credit card repayment									
Nov	Wages									
(÷ 5)										
	Credit card repayment									
Dec	Wages									
(÷ 4)										
	Credit card repayment									
Jan	Wages									
(÷ 3)										
	Credit card repayment									

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward									
Feb	Wages									
(÷ 2)										
	Credit card repayment									
March	Wages									
	Repay balance of credit card									

Interest rates on credit

The Interest Factor has been provided with this game to help students quickly calculate the interest for each month that needs to be added to the principal (balance outstanding).

In the Credit Crunch activity, the interest is calculated monthly. A 2% interest rate is an annual rate of 24%, and 1.5% is 18% annually. These may seem high interest rates compared with what is available via personal loans at a bank. However, 18% is not an atypical rate for a credit card. Hire purchase and store credit rates may be even greater than credit card rates.

Calculating interest rates

If the interest rate is 2% for the month, students multiply the principal (outstanding balance) by 1.020. This gives you the new outstanding balance:

e.g. $1,000 x 1.020 = $1,020
Principal ($1,000) + interest ($20) = $1,020 (new balance outstanding).

The point of having an Interest Factor is to help students work with tricky interest rate %. The Interest Factor can be applied to any principal amount and any interest rate:

e.g. $300 principal with an interest rate of 7.6% might be difficult for the students to calculate.

If we use the interest factor it is relatively easy:
e.g. $300 x 1.076 = $322.80
Principal ($300) + interest ($22.80)

$580 principal with an interest rate of 6.9% =
$580 x 1.069 = $620
Principal ($580) + interest ($40)

Interest Rate	Interest Factor =	Interest Rate	Interest Factor =	Interest Rate	Interest Factor =	Interest Rate	Interest Factor =
2.6%	1.026	2.6%	1.026	2.6%	1.026	2.6%	1.026
2.5%	1.025	2.5%	1.025	2.5%	1.025	2.5%	1.025
2.4%	1.024	2.4%	1.024	2.4%	1.024	2.4%	1.024
2.3%	1.023	2.3%	1.023	2.3%	1.023	2.3%	1.023
2.2%	1.022	2.2%	1.022	2.2%	1.022	2.2%	1.022
2.1%	1.021	2.1%	1.021	2.1%	1.021	2.1%	1.021
2.0%	1.020	2.0%	1.020	2.0%	1.020	2.0%	1.020
1.9%	1.019	1.9%	1.019	1.9%	1.019	1.9%	1.019
1.8%	1.018	1.8%	1.018	1.8%	1.018	1.8%	1.018
1.7%	1.017	1.7%	1.017	1.7%	1.017	1.7%	1.017
1.6%	1.016	1.6%	1.016	1.6%	1.016	1.6%	1.016
1.5%	1.015	1.5%	1.015	1.5%	1.015	1.5%	1.015
1.4%	1.014	1.4%	1.014	1.4%	1.014	1.4%	1.014
2.6%	1.026	2.6%	1.026	2.6%	1.026	2.6%	1.026
2.5%	1.025	2.5%	1.025	2.5%	1.025	2.5%	1.025
2.4%	1.024	2.4%	1.024	2.4%	1.024	2.4%	1.024
2.3%	1.023	2.3%	1.023	2.3%	1.023	2.3%	1.023
2.2%	1.022	2.2%	1.022	2.2%	1.022	2.2%	1.022
2.1%	1.021	2.1%	1.021	2.1%	1.021	2.1%	1.021
2.0%	1.020	2.0%	1.020	2.0%	1.020	2.0%	1.020
1.9%	1.019	1.9%	1.019	1.9%	1.019	1.9%	1.019
1.8%	1.018	1.8%	1.018	1.8%	1.018	1.8%	1.018
1.7%	1.017	1.7%	1.017	1.7%	1.017	1.7%	1.017
1.6%	1.016	1.6%	1.016	1.6%	1.016	1.6%	1.016
1.5%	1.015	1.5%	1.015	1.5%	1.015	1.5%	1.015
1.4%	1.014	1.4%	1.014	1.4%	1.014	1.4%	1.014

Type of repayment:

✓ **Compounding interest repayment – Anjani**

☐ interest only repayment

☐ regular repayment

☐ fast-track repayment

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
April	Wages	$200		$200	$1,000	2.0	$1,020	$20	$0	$1,020
(÷ 12)	Income	$40		$240						
	Credit card repayment		$0	$240						
May	Wages	$200		$440	$1,020	2.1	$1,041	$21	$0	$1,041
(÷ 11)	Income	$100		$540						
	Credit card repayment		$0	$540						

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward			$1,220						$1,101
June	Wages	$200		$740	$1,041	2.2	$1,064	$23	$0	$1,064
(÷ 10)										
	Credit card repayment		$0	$740						
July	Wages	$200		$940	$1,064	2.1	$1,086	$22	$0	$1,086
(÷ 9)	Income	$80		$1,020						
	Credit card repayment		$0	$1,020						
Aug	Wages	$200		$1,220	$1,086	2.0	$1,108	$22	$0	$1,108
(÷ 8)										
	Credit card repayment		$0	$1,220						
Sept	Wages	$200		$1,420	$1,108	2.0	$1,130	$22	$0	$1,130
(÷ 7)										
	Credit card repayment		$0	$1,420						

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward			$1,220						$1,101
Oct	Wages	$200		$1,620	$1,130	1.9	$1,151	$21	$0	$1,151
(÷ 6)	Income	$40		$1,660						
	Credit card repayment		$0	$1,660						
Nov	Wages	$200		$1,860	$1,151	2.0	$1,174	$23	$0	$1,174
(÷ 5)	Income	$50		$1,910						
	Expenditure		$100	$1,810						
	Credit card repayment		$0	$1,810						
Dec	Wages	$200		$2,010	$1,174	2.0	$1,197	$23	$0	$1,197
(÷ 4)	Expenditure		$40	$1,970						
	Credit card repayment		$0	$1,970						
Jan	Wages	$200		$2,170	$1,197	2.0	$1,221	$24	$0	$1,221
(÷ 3)										
	Credit card repayment		$0	$2,170						

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward			$1,220						$1,101
Feb	Wages	$200		$2,370	$1,221	1.9	$1,244	$23	$0	$1,244
(÷ 2)	Income	$40		$2,410						
	Expenditure		$60	$2,350						
	Credit card repayment		$0	$2,350						
March	Wages	$200		$2,550	$1,244	1.9	$1,268	$24	$0	$1,268
	Repay balance of credit card		**$1,268**	**$1,282**	Total interest			$268		

Credit Crunch monthly repayment calculations: Compounding interest repayments – Anjani

No monthly repayments are made on the credit card. The interest each month is added to the principal, giving a new balance outstanding each month. The $1,000 borrowed plus compounding interest (in the example below this would be $268) must be paid at the end of the financial year. The total repayment is therefore $1,268.

Month	Balance B/F	Interest rate per month	Payment calculation	Payment due	New balance
April	$1,000	2.0%	$1,000 x 1.020 (= $1,020)	$0	$1,020
May	$1,020	2.1%	$1,020 x 1.021 (= $1,041)	$0	$1,041
June	$1,041	2.2%	$1,041 x 1.022 (= $1,064)	$0	$1,064
July	$1,062	2.1%	$1,064 x 1.021 (= $1,086)	$0	$1,086
August	$1,082	2.0%	$1,086 x 1.020 (= $1,108)	$0	$1,108
September	$1,104	2.0%	$1,108 x 1.020 (= $1,130)	$0	$1,130
October	$1,126	1.9%	$1,130 x 1.019 (= $1,151)	$0	$1,151
November	$1,147	2.0%	$1151 x 1.020 (= $1,174)	$0	$1,174
December	$1,168	2.0%	$1174 x 1.020 (= $1,197)	$0	$1,197
January	$1,189	2.0%	$1197 x 1.020 (= $1,221)	$0	$1,221
February	$1,209	1.9%	$1221 x 1.019 (= $1,244)	$0	$1,244
March	$1,231	1.9%	$1244 x 1.019 (= $1,268)	$0	$1,268

Type of repayment:

☐ compounding interest repayment

✓ **interest only repayment – Munesh**

☐ regular repayment

☐ fast-track repayment

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
April	Wages	$200		$200	$1,000	2.0	$1,020	$20	$20	$1,000
(÷ 12)	Income	$40		$240						
	Credit card repayment		$20	$220						
May	Wages	$200		$420	$1,000	2.1	$1,021	$21	$21	$1,000
(÷ 11)	Income	$100		$520						
	Credit card repayment		$21	$499						

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward			$1,016						$1,000
June	Wages	$200		$699	$1,000	2.2	$1,022	$22	$22	$1,000
(÷ 10)	Income	$60		$759						
	Credit card repayment		$22	$737						
July	Wages	$200		$937	$1,000	2.1	$1,021	$21	$21	$1,000
(÷ 9)	Expenditure		$80	$857						
	Credit card repayment		$21	$836						
Aug	Wages	$200		$1,036	$1,000	2	$1,020	$20	$20	$1,000
(÷ 8)										
	Credit card repayment		$20	$1,016						
Sept	Wages	$200		$1,216	$1,000	2.0	1020	20	$20	$1,000
(÷ 7)										
	Credit card repayment		$20	$1,196						

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward			$1,016						$1,000
Oct	Wages	$200		$1,396	$1,000	1.9	1019	19	$19	$1,000
(÷ 6)										
	Credit card repayment		$19	$1,377						
Nov	Wages	$200		$1,577	$1,000	2.0	$1,020	$20	$20	$1,000
(÷ 5)										
	Credit card repayment		$20	$1,557						
Dec	Wages	$200		$1,757	$1,000	2.0	$1,020	$20	$20	$1,000
(÷ 4)										
	Credit card repayment		$20	$1,737						
Jan	Wages	$200		$1,937	$1,000	2.0	$1,020	$20	$20	$1,000
(÷ 3)	Expenditure		$40	$1,897						
	Credit card repayment		$20	$1,877						

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward			$1,016						$1,000
Feb	Wages	$200		$2,077	$1,000	1.9	$1,019	$19	$19	$1,000
(÷ 2)	Income	$40		$2,117						
	Credit card repayment		$19	$2,098						
March	Wages	$200		$2,298	$1,000	1.9	$1,019	$19	$19	$1,000
	Expenditure		$40	$2,258						
	Repay balance of credit card		**$1,019**	**$1,239**						

Credit Crunch monthly repayment calculations: Interest only repayments – Munesh

Interest only payments are made each month on the credit card and the outstanding balance remains $1,000. The $1,000 balance on the credit card must be paid at the end of the financial year.
Principal payment = $1,000, interest payment = $241. The total paid is $1,241.

Month	Balance B/F	Interest rate	Payment calculation	Interest payment	Payment due	New balance
April	$1,000	2.0%	$1,000 x 1.020 (= $1,020)	$20	$20	$1,000
May	$1,000	2.1%	$1,000 x 1.021 (= $1,021)	$21	$21	$1,000
June	$1,000	2.2%	$1,000 x 1.022 (= $1,022)	$22	$22	$1,000
July	$1,000	2.1%	$1,000 x 1.021 (= $1,021)	$21	$21	$1,000
August	$1,000	2.0%	$1,000 x 1.020 (= $1,020)	$20	$20	$1,000
September	$1,000	2.0%	$1,000 x 1.020 (= $1,020)	$20	$20	$1,000
October	$1,000	1.9%	$1,000 x 1.019 (= $1,019)	$19	$19	$1,000
November	$1,000	2.0%	$1,000 x 1.020 (= $1020)	$20	$20	$1,000
December	$1,000	2.0%	$1,000 x 1.020 (= $1,020)	$20	$20	$1,000
January	$1,000	2.0%	$1,000 x 1.020 (= $1,020)	$20	$20	$1,000
February	$1,000	1.9%	$1,000 x 1.019 (= $1,019)	$19	$19	$1,000
March	$1,000	1.9%	$1,000 x 1.019 (= $1,019)	$19	$19	$1,000
			Total interest payments	$241	$241	

Type of repayment:

☐ compounding interest repayment

☐ interest only repayment

✓ **regular repayment – Timoci**

☐ fast-track repayment

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
April	Wages	$200		$200	$1,000	2.0	$1,020 ÷ 12 = $85	$20	$85	$935
(÷ 12)										
	Credit card repayment		$85	$115						
May	Wages	$200		$315	$935	2.1	$955 ÷ 11 =$87	$20	$87	$868
(÷ 11)	Expenditure		$40	$275						
	Credit card repayment		$87	$188						

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward			$486						$641
June	Wages	$200		$388	$868	2.2	$887 ÷ 10 = $88	$19	$89	$798
(÷ 10)	Expenditure		$80	$308						
	Credit card repayment		$89	$219						
July	Wages	$200		$419	$798	2.1	$815 ÷ 9 = $91	$17	$91	$724
(÷ 9)	Expenditure		$50	$369						
	Credit card repayment		$91	$278						
Aug	Wages	$200		$478	$724	2	$738 ÷ 8 = $92	$14	$92	$646
(÷ 8)	Income	$100		$578						
	Credit card repayment		$92	$486						
Sept	Wages	$200		$686	$646	2.0	$659 ÷ 7 = $94	13	$94	$565
(÷ 7)										
	Credit card repayment		$94	$592						

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward			$486						$641
Oct	Wages	$200		$792	$565	1.9	$576 ÷ 6 = $96	11	$96	$480
(÷ 6)	Expenditure		$80	$712						
	Credit card repayment		$96	$616						
Nov	Wages	$200		$816	$480	2	$490 ÷ 5 = $98	$10	$98	$392
(÷ 5)	Income	$40		$856						
	Credit card repayment		$98	$758						
Dec	Wages	$200		$958	$392	2.0	$400 ÷ 4 = $100	$8	$100	$300
(÷ 4)	Income	$50		$1,008						
	Credit card repayment		$100	$908						
Jan	Wages	$200		$1,108	$300	2.0	$306 ÷ 3 =$102	$6	$102	$204
(÷ 3)	Income	$60		$1,168						
	Expenditure		$40	$1,128						
	Credit card repayment		$102	$1,026						

Bank account					**Credit card payment**					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward			$486						$641
Feb	Wages	$200		$1,226	$204	1.9	$208 ÷ 2 = $104	$4	$104	$104
(÷ 2)	Income	$40		$1,266						
	Credit card repayment		$104	$1,162						
March	Wages	$200		$1,362	$104	1.9	$106 ÷ 1= $106	$2	$106	$0
	Income	$100		$1,462						
	Expenditure		$100	$1,362						
	Repay balance of credit card		**$106**	**$1,256**						

Credit Crunch monthly repayment calculations: Regular payments – Timoci

The monthly repayment is calculated by taking the outstanding balance x the current interest rate factor ÷ the number of months remaining in the year.

The $1,000 April balance on the credit card must be paid off by the end of the financial year.

Principal payment = $1,000

Total interest payments = $144

Total payments = $1,144.

Month	Balance B/F	Interest rate	Payment calculation	Interest amount	Payment due	New balance
April	$1,000	2.0%	$1,000 x 1.020 (= $1,020) ÷ 12	$20	$85	$1,020-$85 =$935
May	$935	2.1%	$935 x 1.021 (= $955) ÷ 11	$20	$87	$955-$87 = $868
June	$868	2.2%	$868 x 1.022 (= $887) ÷ 10	$19	$89	$887-$89 = $798
July	$798	2.1%	$798 x 1.021 (= $815) ÷ 9	$17	$91	$815-$91 = $724
August	$724	2.0%	$724 x 1.020 (= $738) ÷ 8	$14	$92	$738-$92 = $646
September	$646	2.0%	$646 x 1.020 (= $659) ÷ 7	$13	$94	$659-$94 = $565
October	$565	1.9%	$565 x 1.019 (= $576) ÷ 6	$11	$96	$576-$96 = $480
November	$480	2.0%	$480 x 1.020 (= $490) ÷ 5	$10	$98	$490-$98 = $392
December	$392	2.0%	$392 x 1.020 (= $400) ÷ 4	$8	$100	$400-$100 = $300
January	$300	2.0%	$300 x 1.020 (= $306) ÷ 3	$6	$102	$306-$102 = $204
February	$204	1.9%	$204 x 1.019 (= $208) ÷ 2	$4	$104	$208-$104 =$104
March	$104	1.9%	$104 x 1.019 (= $106) ÷ 1	$2	$106	$106-$106 = $0
			Total interest	$144		

Type of repayment:

☐ compounding interest repayment

☐ interest only repayment

☐ regular repayment

✓ **fast-track repayment – Alitia**

Bank account					Credit card Payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
April	Wages	$200		$200	$1,000	2.0	($1020 ÷ 12) x2= $170	$20	$170	$850
(÷ 12)	Income	$40		$240						
	Credit card repayment		$170	$70						
May	Wages	$200		$270	$850	2.1	($868 ÷ 11) x 2=$158	$18	$158	$710
(÷ 11)										
	Credit card repayment		$158	$112						

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward			$267						$317
June	Wages	$200		$312	$710	2.2	($726 ÷ 10) x2= $145	$16	$145	$581
(÷ 10)										
	Credit card repayment		$145	$167						
July	Wages	$200		$367	$581	2.1	($593÷ 9) x2= $132	$12	$132	$461
(÷ 9)	Income	$50		$417						
	Credit card repayment		$132	$285						
Aug	Wages	$200		$485	$461	2.0	($470 ÷ 8) x2 = $118	$9	$118	$352
(÷ 8)	Expenditure		$100	$385						
	Credit card repayment		$118	$267						
Sept	Wages	$200		$467	$352	2.0	($359 ÷ 7) x2 = $103	7	$103	$256
(÷ 7)	Income	$100		$567						
	Credit card repayment		$103	$464						

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward			$267						$317
Oct	Wages	$200		$664	$256	1.9	($261 ÷ 6) x2 = $87	5	$87	$174
(÷ 6)										
	Credit card repayment		$87	$577						
Nov	Wages	$200		$777	$174	2.0	($ 177 ÷ 5) x 2 = $71	$3	$71	$106
(÷ 5)										
	Credit card repayment		$71	$706						
Dec	Wages	$200		$906	$106	2.0	($108 ÷ 4) x 2 = $54	$2	$54	$54
(÷ 4)										
	Credit card repayment		$54	$852						
Jan	Wages	$200		$1,052	$54	2.0	($55 ÷ 3) x 2 =$37	$1	$37	$18
(÷ 3)	Income	$40		$1,092						
	Credit card repayment		$37	$1,055						

Bank account					Credit card payment					
Month	**Transaction**	**Deposit**	**Withdrawal**	**Balance**	**Balance B/F**	**% int**	**Payment calculation**	**Interest amount**	**Payment due**	**Balance**
	Balances carried forward			$267						$317
Feb	Wages	$200		$1,255	$18	1.9	($18 ÷ 2) x 2 =$18	$0	$18	$0
(÷ 2)										
	Credit card repayment		$18	$1,237						
March	Wages	$200		$1,437						
	Expenditure									
	Repay balance of credit card		**$0**	**$1,437**						

Monthly repayment calculations: Fast track payments – Alitia

The monthly repayment is calculated by taking the outstanding balance x the current interest rate factor ÷ the number of months remaining in the year (x 2).

The $1,000 April balance on the credit card must be paid off by the end of the financial year.

Principal payment = $1,000

Total interest payments = $93

Total payments = $1,093.

Month	Balance B/F	Interest rate	Payment calculation	Interest amount	Payment due	New balance
April	$1,000	2.0%	$1,000 x 1.020 (= $1,020) ÷ 12 (x 2)	$20	$170	$1,020-$170 =$850
May	$850	2.1%	$850 x 1.021 (= $$868) ÷ 11 (x 2)	$18	$158	$868-$158 = $710
June	$710	2.2%	$710 x 1.022 (= $726) ÷ 10 (x 2)	$16	$145	$726-$145 = $581
July	$581	2.1	$581 x 1.021 (= $593) ÷ 9 (x 2)	$12	$132	$593-$132 = $461
August	$461	2.0	$461 x 1.020 (= $470) ÷ 8 (x 2)	$9	$118	$470-$118 = $352
September	$352	2.0	$352 x 1.020 (= $359) ÷ 7 (x 2)	$7	$103	$359-$103 = $256
October	$256	1.9	$256 x 1.019 (= $261) ÷ 6 (x 2)	$5	$87	$261-$87 = $174
November	$174	2.0	$174 x 1.020 (= $177) ÷ 5 (x 2)	$3	$71	$177-$71 = $106
December	$106	2.0	$106 x 1.020 (= $108) ÷ 4 (x 2)	$2	$54	$108-$54 = $54
January	$54	2.0	$54 x 1.020 (= $55) ÷ 3 (x 2)	$1	$37	$55-$37 =$18
February	$18	1.9	$18 x 1.019 (= $18) ÷ 2 (x 2)	$0	$18	$18-$18 = $0
			Total interest	$93		

Credit Crunch Student Worksheet

Compare and contrast credit costs (please note that the calculations in the Credit Crunch Accounting Sheet are rounded to the nearest dollar)

1. Fill in the table below

	Compounding interest repayment	**Interest only repayment**	**Regular repayment**	**Fast-track repayment**
Total amount paid on credit card				
Total interest paid				
Closing bank balance				

2. What factors impact on the bank balance?

3. Graph the monthly payments for each repayment method (on the same graph).
   Graph horizontal axis – months
   Graph vertical axis – $$$

4. Graph the monthly interest paid for each repayment method (on the same graph).
   Graph horizontal axis – months
   Graph vertical axis – $$$

5. Who paid the most interest and why? Who paid the least interest and why?

6. Write a paragraph comparing the four different repayment methods for buying the mobile phone on credit. State which method of repayment would suit you best.

6.0 Appendices

Vuli the Vonu

6.1 The Regional Financial Education Teachers

Secondary schools' group

Central/Eastern district

Jai Narayan College
Marist Brothers High School
Dudley High School
Gospel High School
Yat Sen Secondary School
Suva Muslim College
Mahatma Gandhi Memorial High School
Suva Grammar School
Queen Victoria School
Ratu Kadavulevu School

Nadi/Lautoka district

Swami Vivekananda High School
Natabua High School

Labasa district

Shri Guru Nanak Khalsa College
All Saints Secondary School

Primary schools' group

Central/Eastern districts

Suva Primary School
Nehru Memorial Primary School
Yat Sen Primary School
Veiuto Primary School
Levuka Public Primary School
Stella Maris Primary School

Nadi/Lautoka districts

Nadi Airport School
Drasa Avenue School
Nadi Muslim School
Jasper Williams Primary School

Labasa district

St Mary’s Primary School

Labasa Sangam Primary School

Nasekula District School

Holy Family Primary School

6.2 *Useful Financial Terms (Glossary)*

Account balance	This is an amount shown at the bottom of a statement of account (bill). It is the difference between money received and money paid, and can be positive or negative.
Active income	Active income is income for which services have been performed. This includes wages, tips, salaries, commissions and income from businesses in which there is material participation.
Admission fee	Income received from charging a fee to view or visit an event, entertainment, site etc.
Affordable	Having enough money to pay for the goods or services you decide to buy.
Amount payable	Amount owed to another party. Money which a company owes to vendors for products and services purchased on credit.
Annual Percentage Rate (APR)	The yearly cost of a loan, including interest, insurance and the origination fee, expressed as a percentage. The APR is often used to compare the effective rate of interest for credit cards, mortgages and hire purchase financing, especially for vehicles.
Aspirations	A cherished desire or ambition, but not an essential for survival.
Asset classes	An asset class is a category of investment assets with similar return and risk characteristics and subject to the same laws and regulations. Whatever the asset class line-up, each class is expected to reflect different risk and return investment characteristics and to perform differently in any given market environment. "Asset classes" refers to the four main types of investment categories. The main asset classes are: • Shares or equities – a stake or ownership of a company • Fixed interest – representing money loaned to an issuer, for example, the government • Property – a physical building, whether commercial or residential, other than the primary family residence • Cash deposits – including money deposited in an interest-bearing account.
Asset protection planning (related to risk management)	Asset protection refers to a wide range of activities that are aimed at safeguarding/protecting your wealth both in the short term and long term.
Assets	An item of value owned by an individual or a company, especially that which can be converted into cash. Examples of assets include cash, accounts receivable, inventory, property and vehicles.

ATM (Automatic Teller Machine)	An ATM is an electronic terminal where customers can use a card and a personal identification number (PIN) to operate their accounts. Functions may vary between ATMs but most can be used to withdraw cash, transfer funds between accounts and check balances.
Balance	The running total from taking account of money in and money out.
Balanced budget	This is the final budget and it cannot have a deficit figure. Alterations are made to balance the budget by making adjustments.
Bank	A financial institution which offers financial services such as deposit accounts, cheque and savings accounts and opportunities for customers to borrow money. Banks are financial intermediaries.
Bank account	An arrangement with a particular bank to deposit and withdraw money from that bank.
Bank fees	A sum charged by the bank for the operation and holding of accounts and other banking services.
Banking institutions	A bank is a financial institution registered and supervised by the Reserve Bank of Fiji. A bank will accept deposits of money from the public and use these funds for loans and investments; and engage in any other activity recognised by the Reserve Bank as normal banking practice, which is a licensed financial institution engaging in the activities described above , may additionally be authorised to do by the Reserve Bank of Fiji. Commercial banks accept three types of deposits – Savings, Demand (Cheque account) and Time (term Deposits)
Banking products	Goods made available for customer use such as, the use of various types of bank accounts e.g. structures of call accounts and term deposits, insurances, personal and home loans, credit cards, managed funds and off-shore accounts.
Banking services	Services such as accepting deposits and lending money, offering a variety of channels to access and transfer funds (ATMs, telephone and internet banking, branches).
Bank statement	A bank statement is a summary of transactions, listing the amounts received (credits) and amounts withdrawn or payments made out of the account (debits) that took place over the relevant time period.
(Bank) transfers	A method of making payments in which the payer may make a payment at any branch of any bank for the account of the payee who has an account at any branch of the same or another bank. It is often referred to as an electronic transfer of funds.
Barter	People swap goods and services for what they need.
Bill payment	A bill payment or customer-initiated direct debit is a means of payment available through telephone banking. It differs from a direct debit in that the customer (rather than the company in receipt of payment) initiates the electronic debit from their account to the payee's account. Before a payment

	can be made, the customer must register the organisation or person involved as a payee by supplying the bank with the appropriate bill details and/or payee's bank account number.
Board	Payment for accommodation, food or meals.
Bogus share offer	A bogus share offer is the offer to sell shares in a company that is either fake or one that is not allowed to sell shares. Unsuspecting investors who hand over their money soon realise that they have been tricked and that their "shares" are in fact worthless.
Bonds	A bond is a general term that describes the vehicle that an organisation uses for financing its activities. Bonds represent long-term debt obligations of a company or government. They are fixed interest investments whereby the individual receives a number of payments at fixed intervals until the bond is repaid. Fixed interest securities may be bought and sold, and may be traded on a stock exchange. Many organisations borrow money so they can become even bigger and more successful. One way they borrow money is by selling bonds. When you buy a bond, you are lending money to the company so it can grow. The company promises to pay you interest and to return your money on a date in the future.
Bonus issues	Bonus issues are new shares in a company that are given to existing shareholders for free; they are a bonus or reward for owning shares in the company. A company may decide to distribute further shares as an alternative to increasing the dividend payout issued to shareholders in proportion to their holdings for example one bonus share for every 10 shares held.
Branch staff	Branch staff work at a retail location where a bank or financial institution offers a wide variety of face to face service to its customers.
Budget	A plan showing where your income will come from and how it will be spent. A statement of planned income, savings and expenses based on an individual's goals for a specified timeframe e.g. a week.
Business ownership	Business ownership means having control over a business enterprise and being able to dictate its functioning and operations. There are three ways in which business ownership may be acquired: initiating a business, purchasing a company that is already existing, and franchising. The most common forms of business ownership are the sole proprietorship, partnership and corporation.
Capital gains	Capital gain is the profit that results from the sale or the exchange of a capital asset which exceeds the purchase price.

Cash	Cash refers to money in the physical form of currency, such as banknotes and coins.
Cash register receipt	A receipt, produced by a cash register, resulting from a cash transaction.
Chain letters	A chain letter typically consists of a message that attempts to induce the recipient to make a number of copies of the letter and then pass them on to as many recipients as possible.
Cheque	An unconditional order in writing to a bank by its customer requiring the bank to pay a specified sum to a specified person or to the bearer. A cheque becomes "stale" and will normally not be paid if it is presented more than six months after the date written on it. A "non-transferable" cheque provides the greatest protection if it is lost or stolen.
Cheque account	A bank account with a cheque book facility.
Choices	Options you have before making a decision.
Collectables/Collectibles	Collectables are: things considered to be worth collecting (not necessarily valuable or antique). For investment purposes, a collectable (collectible) is any physical asset that appreciates in value over time because it is rare or it is desired by many. Many people think of collectables as things like stamps, coins, fine art or sports cards, but there are really no strict rules as to what is or is not a collectable.
Commission	A fee for services undertaken based on a percentage of an amount received, or percentage of the value of goods sold, or collected or agreed to be paid (as distinguished from a salary). The payment of commission as remuneration for services undertaken or products sold is a common way to reward salespeople.
Company shares	A share *(*also known **as** stock) is a document issued by a company, which entitles its holder to be one of the owners of the company. A share is issued by a company or can be purchased from the stock market. By owning a share you can earn a dividend and by **selling shares** you may get capital gain. So your return is the dividend plus the capital gain. However, you also run a risk of making a capital loss if you have sold the **share** at a price below your buying price.
Consequences	What happens because of a decision you make.
Costs	Expenses involved in setting up or running an activity or business.
Credit	Credit is the ability to obtain goods and services now with an obligation to pay the amount borrowed, together with any additional agreed costs, in the future.
Credit card facility	A credit card facility gives access to credit. It can be used more than once to borrow money or buy products and services on credit. Banks, retail stores and other businesses may issue these. Users are limited in the amount they can charge to the card, but they are required to make a minimum payment each month if they do not wish to repay the full amount. Any unpaid balance incurs interest.

Credit card	A plastic card issued by a bank which enables customers to purchase goods and services on credit rather than pay by cash, cheque or EFTPOS. Customers receive a monthly statement on their credit transactions and will not usually be charged interest if the monthly account is paid in full by the due date. Credit cards may also be used to obtain cash advances.
Credit card statement	A statement listing the purchases, payments and other debits and credits made to the credit card account within the billing cycle. The billing statement is sent at the end of each billing cycle and usually includes the total balance, minimum payment due, payment due date, grace period, finance charge, days in billing cycle, and annual percentage rate.
Credit rating	A credit rating is an evaluation of the likelihood that a borrower will default on a loan. A numerical score is calculated using the information in an individual's credit file. The credit rating is often used to determine an individual's credit worthiness and is sometimes referred to as a credit score.
Cross sector	A range of different industries. For example, investors can diversify their equity portfolios to encompass shares in the energy, financial and utilities industries.
Current assets	Assets in the form of money or assets which are intended to be turned into money within a year.
Debentures	Debentures are types of fixed interest or debt securities where the issuer's obligation to repay investors is secured by the issuer's assets. The value of a debenture depends on the value of the issuer's assets. Debentures earn interest. (Other definitions do not include the feature of a debenture being secured by the issuer's assets.)
Debit card	A card that allows you to access your money, usually at an ATM or an EFTPOS terminal.
Debt	Money that is owed.
Debt/Credit	What you owe other people or organisations.
Decision	Selecting a choice.
Default	Failure to perform a task or fulfil an obligation, especially failure to meet a financial obligation e.g. *default on a loan.*
Deposit	Money put into a bank, or 'money in' recorded in a Cash Book.
Direct debit	Funds taken directly out of an account and paid to someone else.
Direct investment	The act or practice of buying an investment product by an individual, without using a broker as an intermediary, and gaining direct ownership of the investment (such as owning property or shares). There are two ways of investing. Direct investment involves putting one's capital into specific fixed assets such as property, factories, buildings etc. Indirect investment involves investing in securities or other assets that are traded on financial markets.
Disposable income	The amount of income left to an individual after taxes have been paid, and is available for spending and saving.

Diversification	The practice of spreading money among different investments to reduce risk is known as diversification. If you buy a mixture of different types of stocks, bonds, or mutual funds, your savings will not be wiped out if one of your investments fails. By diversifying, you aim to limit your losses and reduce the fluctuations of investment returns without sacrificing too much potential gain.
Dividends	Dividends are payments made by a company to its shareholders as a reward for owning shares in the company. Dividends are the yield from the investor's investment in the company. It is the portion of a company's net profit paid to its shareholders (owners), and is usually declared as a dividend per share (DPS).
Dollar cost averaging	Dollar cost averaging is a method of purchasing investments by investing a fixed amount of money at set intervals. It is a timing strategy of investing equal dollar amounts regularly and periodically over specific time periods (such as $100 a month) in a particular investment portfolio. By doing so, more units are purchased when prices are low, and fewer units are purchased when prices are high. The point of this is to lower the total average cost per unit of the investment, giving the investor a lower overall cost for the units purchased over time. The investor buys more units in a managed fund when the price is low and fewer units when the price is high, thus reducing the overall cost.
Draft budget	A (first) rough copy which may have a surplus or a deficit. This is not the final version of the budget.
Earned income	Earned income is the money you get paid for the work you do.
EFTPOS	Electronic funds transfer (at) point of sale. It means customers pay money (transfer) from their account to the merchant or retailer's account electronically while still in the shop (i.e. at the point of sale). To use this technology, customers must have a special plastic card that is the "key" to their account and will allow them to access their money from retailers' terminals (i.e. at their shops).
Email scams	An email scam is the use of email messages to trick people into providing sensitive personal information or to convince people to pay money for assets that are either fake or worthless. (Same as a phishing scam.)
Employment	Offering your labour to provide a service and getting paid for it.
Equities	Equities are an alternative term for shares. Equities are an entitlement to a proportion of the ownership of a business with the expectation that the share owner will get a portion of the business' profit.
Expenditure	Money going out to buy goods or services.
Fees (payment for contract)	A fee is the price one gives as payment for services, especially the amount paid to a doctor, lawyer, consultant or member of a learned profession or organisation.
Financial adviser/advisor	A financial adviser is a professional who renders financial planning services to individuals, businesses and governments. This can involve investment advice which may include pension planning, and/or advice on financial products, such

	as life insurance and other insurances such as income protection insurance, critical illness insurance etc, and/or advice on mortgages and other investment products. A financial adviser may include but is not limited to an insurance adviser or broker, an accountant, lawyer, tax agent or banking service.
Financial document	An original or official paper relied upon as the basis, proof or support of financial activity. For example, an invoice.
Financial planning	In general usage, a financial plan can be a budget, a plan for spending and saving future income. This plan allocates future income to various types of expenses, such as rent or utilities, and also reserves some income for short-term and long-term savings. A financial plan can also be an investment plan, which allocates savings to various assets or projects expected to produce future income, such as a new business or product line, shares in an existing business, or real estate.
Financial transaction	Money exchanged for goods.
Fixed expenses	Fixed expenses do not depend on your rate of consumption of a good or service. They don't change with levels of usage or from period to period. They are usually paid on a regular basis, such as week to week, month to month, quarter to quarter or year to year. Typical household fixed expenses are mortgage or rent payments, car repayments and insurance premiums.
Fixed interest rate	An interest rate which is set, and will not change over a given period.
Floating interest rate	An interest rate which is not set, and may change over a given period.
Foreign exchange	A system by which one currency is exchanged for another, enabling international transactions to take place.
Futures	Futures are financial contracts or agreements between a buyer and a seller. The seller agrees to sell a specific product to the buyer, at a specific date in the future at an agreed price. Because futures are contracts, when the contract date arrives, the buyer must buy the product. For example, if you buy gold futures today you agree to take possession of a certain amount of gold at a date in the future in return for paying the agreed price. Futures investments in things like foreign currency, oil, electricity or wool occur where you invest now on a prediction of what the commodity will sell for at a later date. Futures contracts are a way of trying to profit (or minimise loss) from future movements in prices or values, without actually buying the commodity that the contract relates to.
Gambling	Gambling is any activity in which money is bet on an event either occurring or not occurring and in which luck plays a large role in the final outcome. There is usually less skill, planning and research involved compared to investing. Elements of 'gambling' often include a limited number of scenarios, win/lose situations, a limited number of options to choose from, more luck than skill required, and the results of gambling are generally known immediately. Gambling is an activity often undertaken for excitement and/or financial gain.

Geographic spread	A range of different areas, usually expected to encompass the world. For example, investors can spread their equity portfolios to encompass investment in the Pacific, New Zealand, Australia, Asia, the US, Europe etc.
Goals	"A dream with a deadline". A goal is an observable and measurable end result having one or more objectives to be achieved within a more or less fixed timeframe.
Government Stock (also referred to as Government Bonds)	Securities or stock issued by a government to finance its budget deficit (the difference between what it gets in taxes and what it spends). Government Stock is usually considered to be a very safe form of investment and is essentially an IOU from the government. Both the public and companies can lend the government money. In return they get a fixed rate of interest for a certain period of time and then the money is repaid. The document which acknowledges the amount the government owes each person or company is called Government Stock.
Gross income	Gross income is income from all sources before tax has been paid. It's your responsibility to pay what is called "income tax" on this money.
Gross pay	Total of an employee's regular remuneration including allowances, overtime pay, commissions before any deductions.
Hedging	Hedging is a plan to limit or offset probability of loss from fluctuations in the prices of assets. Hedging includes a variety of techniques such as taking equal and opposite positions in two different markets, or in protecting capital against the effects of inflation through investing in high-yield financial instruments (e.g. bonds or shares), property, or precious metals. A hedge is a position established in one market in an attempt to offset exposure to price fluctuations in some opposite position in another market with the goal of minimising one's exposure to unwanted risk. The aim of hedging is to avoid or limit risk and protect against price changes.
Hire purchase	A way of getting the good and paying for it over time. Hire purchase is a contract for the hire of goods with an option to purchase. The user gets possession of the goods.
Income	Money you earn from work or other sources.
Income source	All wages and any other compensation for services performed are considered to be sources of income.
Income tax	Income tax is a tax payable to the government, based on one's income. Unless you're self-employed, your employer takes out the income tax before you get paid.
Income tax bracket	An income tax bracket relates to a category of taxpayers based on the amount of their income. It specifies the rate paid on the "last dollar" earned.
Indirect investment	This is a way of investing through an intermediary, either an external adviser or body. Indirect investors are those who access a market by investing through a collective investment fund as opposed to purchasing an asset directly in their

	own name. There are two kinds of investment. Direct investment involves putting one's capital into specific fixed assets such as property, factories, buildings etc. Indirect investment involves investing in securities or other assets that are traded on financial markets.
Insurance	The act, state or means of being insured for loss or harm of property, life, or one's person arising in specified circumstances. There is a promise of compensation, in exchange for a periodic payment, for specified potential future losses.
Interdependence	People rely on others to make some of the things they need or want, swapping or selling what is their surplus to get it.
Interest	Money you earn from saving or investing or the extra money you pay for borrowing money. The fee charged by a lender to a borrower for the use of borrowed money, usually expressed as an annual percentage of the principal. It is the cost of borrowing and is a return on savings.
Interest rate	A rate which is charged or paid for the use of money. An interest rate is often expressed as an annual percentage of the principal. It is calculated by dividing the amount of interest by the amount of principal.
Internet (on-line) banking	Internet banking is a term used to access your account and for performing transactions, payments etc over the internet through a bank, credit union or building society's secure website.
Investing	Investing is the process of putting money some place with the intention of making a financial return and holding long-term, non-cash growth assets with the aim of capital gain and/or income. Investment possibilities include stocks, bonds, mutual funds, real estate and other financial instruments or ventures. Investing focuses on using one's money to make more money, and achieving long-term financial goals. With investing, there is no guarantee an investor will make money. In some cases, an investor may even lose the money invested. Investing should be considered only after a person has adequate savings.
Investment products	Products purchased with the expectation that they will provide a return, an income stream.
Invoice	A bill issued by one who has provided products and/or services to a customer.
Irregular items	Not regular, uneven or abnormal.
Labour	The work that people do for an income.
Layby	Paying off the purchase before taking the goods home.
Legislative requirements	Requirements according to the laws of a country.
Liability	A financial obligation, debt, claim or potential loss.
Liquidity	Liquidity refers to how easily and quickly you can sell your investment and access your money without incurring a significant loss.

Loan	Money that you borrow and have to pay back. An arrangement in which a lender gives money or property to a borrower, and the borrower agrees to repay the money or return the property, usually with interest, at a future point in time.
Managed funds	Managed funds are investment products in which a professional investor, called a fund manager, researches and buys assets for you and charges you a fee.
Marginal tax rate	The rate applying to the last dollar of taxable income.
Mixed expenses	Mixed expenses consist of a constant or fixed portion and a variable portion. Typical household mixed expenses include electricity, gas and water, which usually have a fixed charge but also include a variable charge component according to usage.
Money	What you use to pay for goods and services.
Money lender	A money lender is a source of credit to a category of borrowers who would normally be refused credit by most financial institutions because their income may be at or below the poverty threshold or whose credit score indicates that the borrower might be unable to repay the loan. They offer small personal loans at high interest rates usually higher rates than the market rate charged on credit cards or on bank overdrafts. Because personal loans offered are unsecured and the risk of default by the borrower is high, money lenders charge an effective interest rate that is in the range anywhere between 100% and 400% APR (Annual Percentage Rate).
Mortgage	This term is often loosely used to describe the loan provided for purchase of property. A mortgage is a document signed by a borrower when a home loan is made that gives the lenders the right to take possession of the property if the borrower fails to make loan payments. It is a method of using property (real or personal) as security for the performance of an obligation, usually the payment of a debt.
Needs	What you think you must have. Needs are something you must have to survive. They are absolute necessities, essentials or basics of life.
Net income	Your net income is your income after tax has been paid.
Net pay	Net pay is the remaining amount after deductions from the gross salary, such as income taxes, union dues, authorised deduction for a retirement fund.
Notes and coins	What we call money.
Options	Options are similar to futures since they are also a contract between a buyer and a seller. In an options contract, the seller gives the buyer the option or right to buy a product at a specific date in the future and at an agreed price. Options are different to futures since the buyer doesn't have to buy on the contract date. The buyer can choose whether to buy or not.

Overdraft/overdraft facility	The act of overdrawing a bank account. It is an extension of credit by a lending institution to allow for circumstances when withdrawals exceed deposits. The customer is authorised, by agreement with the bank, to withdraw funds up to a specific amount in excess of their credit balance. Interest is usually charged on the fluctuating daily balance.
Passive income	Passive income is income received from rental property, limited partnership or other enterprise in which the person is not actively involved. Some examples of passive income are: • Earnings from a business that does not require direct involvement from the owner or merchant • Rent from property • Royalties from publishing a book or from licensing a patent or other form of intellectual property • Earnings from internet advertisements on websites • Residual income, repeated regular income earned by a sales person, generated from the payment of a product or service, that must be renewed on a regular basis in order to continue receiving its benefits • Dividend and interest income from owning securities, such as stocks and bonds, is usually referred to as portfolio income, which may or may not be considered a form of passive income.
Payee	One who receives a payment such as through cash, cheque, money order or promissory note.
Payer	One who makes a payment.
Payment method	Means of payment employed by a customer, such as cash, cheque, money order, or credit card with order or upon invoicing.
Payments	Sums of money paid or claims discharged.
Payslip	A slip of paper included with your pay that records how much money you have earned and how much tax or insurance etc has been taken out.
Penalties	A sum of money required as a forfeit for an offence.
Personal bank accounts	Funds deposited in a bank that are credited to and subject to withdrawal by the depositor.
Personal Financial Management	Personal Financial Management relates to the finances of an individual, and is not concerned with business finances.
Personal income	An individual's total earnings from wages, passive enterprises, and investment interest and dividends.
Personal loan	A loan made for personal, family, or household use, a loan secured by property other than real estate, or unsecured. This is usually not backed by collateral and often used over a short-term basis to cover unexpected expenses like emergency car repairs or to pay bills on time to protect credit rating. Usually unsecured and based on the borrower's integrity and ability to pay.

PIN – Personal Identification Number	A code used to allow access to your personal information and funds.
Personal risk profile	A personal risk profile is an assessment of the level of risk you are comfortable with taking when making investments, balanced with the level of returns you would like to earn on those investments. Think of a ladder, and call it the "returns ladder". The highest investment returns are right at the top of the ladder and the lowest returns are right at the bottom of the ladder. The higher you climb up the ladder, the higher the returns you earn on your investments but the higher your risk of falling. You can't have high returns without taking the higher risk. Your personal risk profile refers to where you stand on the returns ladder.
Phishing	Phishing is any method in which a person tries to obtain sensitive personal information from another person with the intention of using that information for criminal activities. Phishing scams are typically fraudulent email messages appearing to come from legitimate enterprises (e.g. your university, your internet service provider, your bank). These messages usually direct you to a spoofed website or otherwise get you to divulge private information (e.g. password, credit card, user names or other account updates). The perpetrators then use this private information to commit identity theft.
Portfolio diversification	Portfolio diversification is the means by which investors minimise or eliminate their exposure to company-specific risk, minimise or reduce systematic risk and moderate the short-term effects of individual asset class performance on portfolio value. This occurs when investors spread their available funds over a wider selection of investments, such as property, Government Stock and shares. Diversification can focus on different asset classes, a varied geographic spread for their investments and different expected timeframes for maturity.
Price	The amount of money paid for buying a good or service.
Principal	The amount borrowed, or the part of the amount borrowed which remains unpaid (excluding interest).
Priorities	Something afforded or deserving prior attention or having precedence, established by order of importance or urgency.
Private superannuation	The savings which have been accumulated over time by an individual which are used to fund retirement or are funds which can be used for investment. Private superannuation is not government funded.
Profit	Profit is income received by the owner of a business for risk taking and management.
Progressive tax	In a progressive structure, the tax rate increases as more income is earned. This is a tax which rises as a fraction of income as income rises.
Property	Property can be: • Something owned; a possession

	• A piece of real estate • Something tangible or intangible to which its owner has legal title properties such as copyrights and trademarks • Possessions considered as a group • The right of ownership; title.
Proportional tax	A proportional tax is one that is levied at a constant fraction of income (e.g. a flat tax rate). A tax which takes the same proportion of income as income rises.
Provisional tax	Provisional tax is not a separate tax. It is a way of paying your income tax in instalments during the year. The amount you pay during the year is credited against your end of year tax to pay.
Rate of return	A rate of return is the percentage of the original amount invested that is earned/returned to you during or at the end of your investment period (the length of time you hold the investment for).
Receipts	Written evidence of a transaction made. Any money received.
Regressive tax	A regressive tax is one that falls as a fraction of income as income rises. It takes a higher proportion of low incomes than it does of high incomes (e.g. VAT). The tax paid as a percentage of income falls as income rises.
Regular items	Recurring uniformly or habitual in time or manner.
Rent	A charge or a payment or series of payments made by the lessee to an owner for use of some property, facility, equipment or service.
Resident Interest Withholding Tax (RIWT)	RIWT is the tax taken out of resident passive income. If you receive interest from any person or organisation, resident interest withholding tax (RIWT) is deducted before the interest is credited to you. This might be interest from financial institutions (banks, finance companies, building societies or credit unions) or even interest on a credit balance with Inland Revenue. Payers of interest (such as banks and similar institutions) take RIWT out of interest payments and send it to Inland Revenue.
Residential rental property	A rental property used for residential purposes, rather than industrial or commercial purposes. A rental property is a property where a tenant pays the owner for the use of the property.
Retirement savings	Personal savings put aside specifically for use in retirement.
Risk	Risk refers to the possibility an investor will either lose some or all of the money invested or not receive an expected return.
Risk and return relationship	The relationship between risk and return means that the returns you will get when investing your money will vary according to the risk level of the investment. You may lose money but if you take greater risks, you should also expect to get greater returns. No investment return is ever guaranteed – there is always a risk.

Risk management	Risk management is the process of assessing what your personal financial risk profile is, identifying the risk of the different investment products you are considering and then matching your risk profile to suitable investments. It means having a plan to deal with those possible changes, especially if those changes cause the value of your investment to decrease. Hedging is one example of a plan to limit possible losses in the future.
Royalties	A royalty is a payment to the holder of a copyright or patent, or to the owners of technology or trade names, for the right to their use.
Safety deposit (box)	A box or vault, especially in a bank, offering the service of safe storage of such items as money, valuables, jewellery and important documents etc.
Salary	Salary is a payment for work calculated on a yearly basis and is not related to the number of hours worked. A salary is received on a regular basis, usually weekly, fortnightly or monthly. Sometimes the term is used to include other benefits.
Savings	Money you put in the bank for use at a later time. Savings is money set aside for a future use that is held in easily-accessed accounts, such as savings accounts. Savings are cash related with the expectation of no risk of capital loss and relate to short-term goals. To save money is to put money aside for use in the future. We normally keep our savings in a bank account where it will be safe and earn a reasonable rate of interest. We generally save money for emergencies or for making specific purchases in the near term e.g. travelling overseas.
Savings account	A bank account that accepts deposits and allows withdrawals and usually accumulates interest. Withdrawals cannot be made by writing a cheque.
Scam	A scam is a ploy to obtain money or other goods or information from somebody by dishonest means. It is an attempt to intentionally mislead a person usually with the goal of financial or other gain. Deception techniques can include fake personalities, fake photos, fake template letters, non-existent addresses and phone numbers, forged documents, and non-existent businesses. A financial scam is the attractive but false presentation of financial assets, transactions or schemes, by manipulators whose real aim is to pocket those investor's savings.
Security	Property which is pledged as collateral for a loan/mortgage.
Self-employed	An individual who operates a business or profession as a sole proprietor, partner in a partnership, independent contractor or consultant.
Self-sufficiency	When the land and sea gives people the food, clothing and shelter they need.
Shares	Shares are an entitlement to a proportion of the ownership of a business with the expectation that the share owner will get a portion of the business' profit.
Specialised advice	Provision of expert financial counsel, financial planning information or financial advisory services.
Speculation	Speculation is the process of selecting investments with higher risk in order to

	profit from an anticipated price movement. Speculation is a form of high risk investment. Speculators, like investors, aim to use their money to make more money but are willing to accept very high levels of risk to do so.
Spending	What is paid for goods or services.
Statement	A record of transactions and their effect on account balances over a specified period of time, for a given account.
Tax	Tax is a compulsory charge or payment, levied by government, on income, a product or activity.
Tax code	The tax code is what decides how much tax is deducted from income. The tax code chosen depends on how many sources of income there are, and whether the tax payer has a student loan.
Telephone banking	Telephone banking is a service provided by a financial institution which allows its customers to perform transactions over the telephone. This normally includes bill payments for bills from major billers (e.g. for electricity).
Term deposit	A term deposit is a deposit at a bank or other financial institution that has a fixed return (usually via an interest rate) and a set maturity date. The depositor does not have access to the funds until maturity; in exchange, he/she is usually entitled to a higher interest rate than for a call account.
Term investment	A deposit lodged by a customer with a bank for an agreed period of time, on which the bank pays a set or advertised rate of interest. The timeframe and interest rate are often determined by the size of the deposit.
Text banking	The text banking service enables customers to retrieve information about their accounts, check account balances, get mini bank statements, transfer funds between accounts and pay bills from a mobile phone through text messaging.
Time in the market	Time in the market is the length of time that an investor expects to own an investment. It is used to determine the investor's income needs and desired risk exposure, which is then used to aid in investment selection. Time in the market reduces risk exposure.
Trade-off	What you are prepared to give up to get what you want (opportunity cost).
Transactional account	A cheque or similar account from which transfers can be made to third parties through cheques, drafts, online transfers, arrangements of standing orders, direct debits or payment via a debit card.
Transaction costs	These are the costs associated with buying and selling assets/investments. The charges you pay middlemen for their services e.g. fees, commissions.
Unearned income	Unearned income is an individual's income derived from investments, such as interest and dividends from investments, or income from rental property and other sources other than related to employment services.
Value Added Tax (VAT)	Value Added Tax (VAT) is Fiji's main type of tax apart from income tax. It is an indirect tax, which businesses (including retailers) charge as part of the cost of goods and services that they supply. The current rate is 15%.

Variable expenses	Variable expenses change depending on your consumption of a good or service. A variable expense is a cost that may change significantly from period to period, such as week to week, month to month, quarter to quarter or year to year. Typical household variable expenses are household maintenance expenses such as painting or yard care, general expenses such as clothing, groceries, and car maintenance and fuel.
Variable interest rate	An interest rate that changes according to the underlying or benchmark interest rate index.
Volatility	Volatility is a measure of an asset's stability. It is a term used to describe the risk of an investment product. If the returns for a particular investment fluctuate and are very uncertain, the investment has high volatility. Investments with high volatility are risky investments since you cannot accurately predict whether you make or lose money or how much money you might make or lose. Volatility can be low, high, short, medium, or long term and can vary across asset classes.
Wages	The amount of money or its equivalent received during a period of time in exchange for labour or services, calculated on an hourly basis.
Wants	What you'd like to have but don't really need. A wish or desire for something you would like to have but is not essential for survival. Something that is desired to increase the quality and enjoyment of life.
Wealth	Wealth is financial independence through the accumulation of net assets. It is the abundance of valuable resources or material possessions or the control of such assets.
Wealth creation	Wealth creation involves the building of assets by means of careful investment into asset-based investments, usually over a long period of time so as to achieve an income stream that will ensure a continuation of a high quality life-style in the years beyond retirement.
Withdrawal	Money out from a bank, or 'money out' in a Cash Book.
Yields	Yield is the income that your investments generate while you own them. For example, if you own a rental property, the rent that you receive from the tenants each month is called the rental yield. It is calculated as the return on an investment, normally expressed as a percentage of its current value.

Sources: Many different sources were used to compile this list. They include the New Zealand Bankers' Association glossary, and a number of internet sites such as www.investorwords.com, www.thefreedictionary.com, www.answers.com, www.sorted.org.nz and www.whatstax.govt.nz, http://www.looklearninvest.org.nz/glossary.php#investment-plan, http://www.sorted.org.nz/glossary, NZQA Personal Financial Management Unit Standards.

6.3 Project evaluation of student behavioural change

Form Four

	1 Not at all	2 Occasionally	3 Some of the time	4 Most of the time	5 All the time
1. I know the value of money					
2. I can analyse the cost of borrowing					
3. I keep a record of expenditure					
4. I check financial documents					
5. I file documents					
6. I can read and interpret documents					
7. I analyse advertisements					
8. I investigate potential income sources					
9. I know different savings options					
10. I can describe taxes					
11. I use financial tools appropriately					
12. I can compare financial products					
13. I am aware of my money personality and how it affects my money management					
14. I am aware of pressure from other people to spend money					
15. I discuss financial matters with my family					
16. I am saving money on a regular basis					
17. I have started saving money for a planned future event					

	1 Not at all	2 Occasionally	3 Some of the time	4 Most of the time	5 All the time
18. I plan to take advantage of compound interest by saving long term					
19. I can compare different options for borrowing					
20. I calculate the cost of borrowing for an item I want before I buy it					
21. I recognise that there are many different kinds of investments					
22. I set long-term financial goals					
23. I know the impact that cultural obligations have on my family's financial situation					
24. I am comfortable with dealing with large financial institutions, such as banks, insurance companies and superannuation funds					
25. I can use the internet to obtain financial information					