

# Tutor notes

## Managing your own money (D/503/2862)

Our Level 2 Skilled for Life resources are designed to provide learners with engaging tasks and activities that will help them consolidate their knowledge and understanding as they work towards their assessment.

The materials consist of unit workbooks in pdf format; they may be photocopied for use only within your institution. Alternatively, learners can access them on-screen – the write-in sections are interactive so that answers to activities can be recorded electronically.

Each task or activity addresses one or more of the assessment criteria in the unit (ACs are clearly marked in the margins so that learners, tutors and assessors can see at a glance which criterion they cover). The tasks will help learners to demonstrate their understanding of key learning points and, when completed, may also provide evidence for assessment.

For full details relating to assessment of the unit, you must refer to the unit specification. For knowledge-based assessment criteria, the workbooks enable learners to show evidence of their knowledge and understanding but in some cases this may need to be supplemented by additional evidence. Some criteria may also need to be assessed in a real work environment (please check the specification for details). For those criteria, our workbooks provide learners with opportunities to practise their skills before their final observation.

This tutor guidance document provides an overview of the unit, supplementary information for selected activities in the learner workbook and answers to activities where applicable.

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[www.edexcel.com/skilledforlife](http://www.edexcel.com/skilledforlife)

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This material is provided as an additional and optional resource for tutors and teachers to use and adapt when delivering a programme of units for their learners. For learners to achieve units within a Skilled for Life programme, it is important that every assessment criterion is assessed, fully met and noted. The resources provided for each unit will enable learners to produce evidence for certain criteria. It is not envisaged that solely by completing the workbooks, learners will fully meet all the criteria. It is the responsibility of tutors and assessors to ensure that all criteria are properly assessed and the evidence recorded appropriately.

## Tutor notes

In this unit, learners will develop the skills and knowledge required to manage their own finances and money. This will include being able to produce a personal budget that is relevant to them, and understanding various different credit types and how credit works in order to borrow money.

This unit may be a little confusing or 'dry' for some learners and it would be helpful to carry out as many practical and discursive activities as possible. This will enable learners to gain the knowledge required to complete the workbook to a sufficient and relevant level.

With learners who may not yet be performing at level 2, it would be helpful to simplify some of the technical language used. Ask learners to think about relevant items in their life and realistic aspirations about what they would want to purchase and may need credit for.

The first learning outcome is practical-based. Learners will have to demonstrate performance within this learning outcome and its related assessment criteria.

To engage learners, you could ask them to do the following:

- Research a potential job role, identify what the average salary for this role would be and then produce a budget in line with this job role and the lifestyle that they wish to have (this needs to be realistic).
- Ask local finance people to visit and talk to learners about how to set up a budget – these people could be bank managers, financial advisers or other tutors. These speakers should provide a variety of information so that learners can find out why this is such an important life skill to master.
- Ask learners to go out into the local town/city to gather credit agreement information so that they can see the variety of APR levels available and find out how various credit agreements work.
- Ask learners to research different types of credit agreement, by watching TV adverts or looking on the internet, and discuss the differences between them.

Learners could also look on YouTube and type in the search box: 'producing a personal budget'. There are a number of suitable clips that will help them and remind them of what they must think about.

You also need to ensure that you follow the unit content and delivery guidance, as this contains useful advice as well as detailed information about each learning outcome and the specifics of what must be covered.

## Support for delivery

Activity	Learning outcome	Points to note
Activity 1: The ins and outs of money	LO1: AC 1.1	Learners will need to be able to relate income and outgoings to real life expenditure if possible.
Activity 2: Budgeting	LO1: AC 1.1, 1.2, 1.3	Learners need to think about their own spending and how they manage their budget for both essentials and non-essentials.
Activity 3: Sources of credit	LO2: AC 2.1	Learners need to have access to the internet to research various types of credit.
Activity 4: Understanding credit	LO2: AC 2.2	Learners need to be able to research different types of credit, either by using the internet or carrying out research locally (by visiting local banks, reading leaflets, etc.). They also need to have access to various credit application forms to see the information that is required when completing them.
Activity 5: Beware, it could all go wrong!	LO2: AC 2.3	

## Workbook answers

### ACTIVITY 1

#### The ins and outs of money

Learners' own answers.

### ACTIVITY 2

#### Budgeting

Learners' own answers.

### ACTIVITY 3

#### Sources of credit

##### Task 1

1. An arrangement where a buyer can take an item home and pay for it later or in smaller amounts over an agreed period of time.
2. Suggested answers are given in the table below.

Type of credit	Example	Description	Features, e.g. APR*
Credit card	<i>Visa / Mastercard</i>	<i>Easy way to buy goods without a deposit. You can take the goods straight away.</i>	Approximately 16.9% APR – these rates are variable
Store card	Topman Account Card	Allows you to buy something in the store that day and pay for it later.	These rates are variable and are usually higher than other types of credit

Type of credit	Example	Description	Features, e.g. APR*
Overdraft	Bank	Allows you to withdraw money from your bank account when you don't yet have it, with the bank's pre-arranged agreement.	Approximately 0.0% – 4.0% APR – these rates are variable
In-store finance	Department store finance deal	Allows you to buy goods and pay for them later or over a period of time.	These rates vary widely and can be higher than other types of credit
Hire purchase	Loan from furniture company	A contract in which the goods are hired to the buyer for a specified period during which they will have to pay weekly or monthly instalments. The goods remain the property of the lender until the HP agreement has been completed in full and paid off within the given timespan.	Approximately 0.0% – 23.9% APR – these rates tend to be incentivised for a specific period of time; after this, hire purchase can be an expensive form of credit
Payday / short-term loans	Wonga.com payday loan, Quickquid	A short-term advance to tide you over until payday. Money is transferred into your bank account, usually within 24 hours of applying.	Approximately 1,750% APR – these forms of credit have a very high APR and can be levied if the loan is not paid back in the agreed time
JCP loans	Budgeting loans	A budgeting loan is an interest-free loan for people who have been on Income Support, income-based Jobseeker's Allowance, Employment and Support Allowance (income-related), Pension Credit or payment on account of one of these benefits, for at least 26 weeks. It is intended to help spread the cost of certain one-off expenses over a longer period. The amount you get is decided by the decision maker at Jobcentre Plus.	Payment rates are dependent on the individual's financial commitments (5%, 10% or 12% APR)
Bank loans	Sainsbury's / Tesco's bank loan, Barclay's, Santander	A loan made by a bank, to be repaid with interest on or before a fixed date. The banks can come under the banner of commercial outlets, e.g. Marks & Spencer, the AA.	Approximately 4.9% – 8.5% APR – the amount borrowed will vary, as will the interest rates; some rates are fixed

\*Note: all rates given in the table are approximate and were accurate at the time of publication (January 2014)

- APR stands for annual percentage rate
- APR means the annual rate that is charged for borrowing, expressed as a percentage representing the actual yearly cost of funds over the term of a loan.

**Task 2**

**Scenario 1**

<b>What is the best deal?</b>	<b>Why?</b>
A deal with £100 deposit and the rest at 0% APR.	The couple can budget for their monthly payments without paying extra for the financing terms.

2. A bank loan
3. The couple will pay back more than the freezer is worth.

**Scenario 2**

<b>What is the best way to finance the car?</b>	<b>Why?</b>
Hire purchase or bank loan	Interest rates are often better for borrowing larger amounts of money. Sometimes, if hire purchase is done through the car dealer where the car is being bought, it may be 0%.

2. A credit card
3. If the whole amount is not paid off by the due date, there would be a large amount of interest applied to the card.

**Scenario 3**

<b>Method of credit</b>	<b>Why?</b>
1. Credit card	The woman then has a month before she needs to pay for the books.
2. Bank loan	The woman can buy several books and pay for them over an agreed time and within her budget.

2. The woman would not have ownership of the books until the last payment is made and the amount may be too small for hire purchase.

**ACTIVITY 4**

**Understanding credit**

**Task 1**

1. Suggested answers are given in the table below.

<b>Credit information</b>	<b>What the borrower should do</b>	<b>Consequences</b>
Application form	<i>Fill it in accurately.</i>	<i>Application may be turned down or you could be charged with fraud.</i>
Level of borrowing	Do not over extend yourself with the amount you want to borrow.	If you apply to borrow too much, your income may not show that you can cover the total amount and your loan will be turned down.
Repayments	Make sure that you can repay the amount you have agreed on a monthly basis.	If re-payments are not met, the items you bought could be re-possessed.
APR	Check that the APR is not too high and the total amount to repay is reasonable.	If the APR is very high, you may not be able to make the repayments.
Minimum repayments	Make sure that you can afford the minimum repayments and that they are always paid on time.	If the minimum repayment is not made then the goods may be re-possessed.
Signing the credit agreement	Make sure that you have read the small print of the agreement before signing it.	If you do not sign the agreement, it is not valid; if someone else signs it, this could be seen as fraudulent activity.
Unclear details	Make sure that all details are clear and accurate – ask questions if you need to.	If you the agreement contains unclear details, it could be withheld or seen as invalid.
Difficulty with repayments	Make sure that you discuss your personal situation with the company who are responsible for the agreement and for giving you the money.	Failure to make repayments, without notifying the company, could result in re-possession of the goods.

2. Suggested answers are given below:

- i They are in employment and have a current bank account.
- ii They have the means to pay back the amount of money borrowed.

**Task 2**

Learners' own answers.

**ACTIVITY 5**

**Beware, it could all go wrong!**

- Answers could include: redundancy from work; long term illness, meaning you can no longer work; change of bank account details; increase in other household expenses resulting in less expendable income; etc.
- Suggested answers are given in the table below.

Possible problem	Reason why it is a problem
Penalty fees for early repayment	You will need to pay more money to close down the loan
Legal action	Will affect the future credit rating of the applicant, making it harder to borrow money again
Credit rating is affected	Could mean that you are turned down for credit – including credit cards – or the purchase of future items
Stress	Could be caused by problems with credit repayment and worry over the consequences; may also cause people to avoid dealing with the issue leading to further problems
Repossession	Your products can be taken away, although you may still need to pay for the remainder of the credit agreement
Amount you are actually paying	If your income falls, it may be difficult to meet the repayments
Level of debt is too high	You may not be able to make payments; if the debt continues to increase it may mean you are never able to pay it back in full