



Greater Bank Finance Academy

Saving and Budgeting



Learning how to save and budget are important concepts in achieving financial literacy. This lesson introduces the concepts of saving for long term expenses and how purchases today impact on saving for a holiday, a car, University, a home and retirement.

You will learn why it is important to save for the unexpected and explore how budgeting can help with everyday savings.



Learning objectives:

Learn why saving is important

Exercise skills needed to manage money

Learn how to make a budget and create a plan around spending

Important points to note:

- Saving for large purchases and unexpected events is an important part of well-being
- To save, you need to budget your spending with how much you earn
- There are many ways to save such as keeping money in a moneybox, or having different bank accounts for different types of spending. Choose one that suits you.
- Sometimes you have to choose where you can spend your money. For example, it's important to pay your mobile bill on time every month, whereas going to the movies is something you should do only if you have enough money.

Recap Lesson 2:

Lesson 2 introduced you to your Money Mindset, the digitisation of money and how this is changing how you interact and think about money.

Answer these true or false questions to jog your memory:

1. Everyone thinks about money the same? **True/False**
2. People spend digital money more than physical money? **True/False**
3. Physical cash is more convenient than digital money? **True/False**
4. Knowing my money mindset helps me to make better spending decisions? **True/False**
5. Someone with a vigilant money mindset is more likely to spend using credit cards? **True/False**

1. False / 2. True / 3. False / 4. True / 5. False

Answers:

Emergency savings

Unexpected expense

Money that you need to spend that you weren't expecting.

EG: Broken phone, unexpected movie night

Regular / required expense

Money that you have to spend regularly.

EG: Rent, food, phone bill

Discretionary expense

Money that you spend that is not essential to shelter and surviving.

EG: Spotify, going to the movies

Using the terms you've just seen, work out the type of expense for each purchase in the table on the next page. Place a tick in the box that applies. In the last column, determine whether Budget Betty (BB), Spending Steve (SS) or both would be likely to make that purchase.



Emergency savings

(Put a tick in one of the first three columns for the type of expense that applies, then a BB or SS or BB/SS in the last column)

| Purchase | Unexpected expense | Regular/required expense | Discretionary expense | Would Budget Betty (BB), Spending Steve (SS) or both be likely to spend? |
|---|--------------------|--------------------------|-----------------------|--|
| Pie and drink at local shop | | | | |
| New joggers, the others were stolen | | | | |
| New tyres for a car | | | | |
| Tickets to Splendour in the Grass | | | | |
| Mobile phone bill | | | | |
| Repair to computer screen | | | | |
| New clothes to wear to a party on the weekend | | | | |
| Paying the excess on the car insurance from an accident you had | | | | |
| iTunes or Spotify subscription | | | | |
| Going to the movies with a friend | | | | |
| Groceries for the house | | | | |
| Hair cut | | | | |
| New Xbox | | | | |
| Operation to remove your appendix | | | | |
| Hair blow wave and/or style for school formal | | | | |

Why is it important to have emergency savings?

Write down 2 answers here:

Make my budget

You might want to buy a new laptop or phone, but after seeing the price, you feel like it's impossible. Well before you give up, make a budget – you might be closer than you think!

Once 'My Budget' is complete, answer the following questions:

- **What types of purchases did you have?**
- **Are there expenses you could avoid?**
- **How did you earn your money?**
- **Did you have any savings per week?**
- **Were you surprised by anything in this budget?**

This is how you make a budget. It is a very useful tool in planning how you spend and save money.

| My budget | |
|--|---|
| Item | \$ per week |
| Wage per week | Put your average weekly earnings here: |
| Expenses Make a list of things you currently pay for: Examples could be mobile bill, bus pass, buying your lunch, clothes shopping etc... | |
| Total Expenses | Add all of the above weekly spending amounts: |
| Savings per week | Subtract your total expenses from your wage per week: |

Something you'd love to buy!

Complete the table.

This exercise should help you realise that it can take a long time to save to buy large items, and the best way to achieve goals like this is to have a clear plan.

Think of something you'd love to buy:

| What do you want to buy? | |
|--|--|
| How much is it? | <i>Put the price of the item:</i> |
| When do you want to buy it? | <i>Be specific! Put the exact number of weeks:</i> |
| What is your time worth? | <i>How much do you earn per hour?</i> |
| How much do you earn in a week? | <i>On average, how much do you earn in a typical week?</i> |
| How much do you need to save each week? | <i>Calculate how much money you need to save per week, to be able to buy the item by the date you want to:</i> |
| How much do you currently save each week? | <i>Use the amount you calculated in the previous activity:</i> |
| How many weeks will it take you to save? | <i>Calculate the number of weeks it will take you to save, given your current savings rate:</i> |
| You buy a \$10 lunch once a week. Now how long does it take you to save for this? | <i>Calculate the number of weeks it will take you to save, now you save \$10 a week less:</i> |

Reflection

1. Write down a large item you would love to buy

2. How would you feel if you were able to achieve this goal and buy the item?

3. How would a budget help you achieve this goal?



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