

LESSON 2: SPENDING YOUR INCOME

Lesson aim:

- To examine types of income and how decisions are made regarding spending.

Learning objectives:

At the end of this lesson students will be able to:

- identify where income comes from and the different ways in which it is used.

Lesson outline:

Go through the information in the 'Managing the money' section with students and ensure that they understand the concepts contained within it.

In-class exercise: Earning and spending

Get students to list any sources of income which they receive and why they receive it (gift, pocket money etc). Then ask them to write down how they spend their money and what they spend it on. In groups ask them to discuss how they go about making decisions about what to do with their money and why they choose to spend it in that way.

When each group has finished, take at least one answer from each group about how their money is spent and write it on the blackboard or where students can see the contributions of each group. Emphasise to students that people receive a finite level of income and because it is limited choices have to be made about the best way in which it might be spent – remind them of Lesson 1 and how they made choices and decisions.

Next begin a discussion with students about household income and expenditure. Ask them from where their household's income comes (job, government benefit, children's allowance, etc) and how it is allocated. What is money spent on each month? What would happen if their income was less than their expenditure? How might a household go about making up the difference?

(NOTE: Please be aware that there may be some sensitivities about household income for some students, so please ensure that they do not feel forced to divulge personal information. Lesson 4: All about budgets is a good follow-up to this lesson or after the next exercise.)

Individual exercise: Learning to save

Ask students to write down the price of something which they would like to buy and when they would like to have it. Explain that that is the amount of money they have to earn and save to purchase it. Based on either pocket money or their income from a summer job, ask them to calculate how long it would take to save the money. Then ask them how much they would have to save or earn on a weekly basis to have it by the date they specified earlier.

Ask them if they have ever saved for anything and get them to share how they did it. Ask each contributor how they felt when they eventually bought the item.

Now ask students if saving is a good option. Why do people use credit or look for loans to buy things? Is it always necessary to get credit? Explain your reasoning.

LESSON 2: SPENDING YOUR INCOME (CONTINUED)

In-class exercise: VAT, tax and spending

Using an example of something students spend their money on, for instance a video game or clothes, ask them to find out how much of the price goes towards VAT. Then ask them to discuss what they think might happen to the amount of VAT.

What do they think the government does with the money they collect from VAT and other tax revenue? Direct students to the Department of Finance site to find out more about tax and policy issues at www.finance.gov.ie

Individual exercise: Product research

Ask students to find out the following information for the product (from above) they have chosen (this exercise can be combined as a homework and in-class assignment).

- What is the retail price of the product?
- What is the VAT amount on the product (previous section)?
- Who else receives a portion of the final price (e.g. retailer, producer, worker, transport)?
- What percentage does each group receive?
- Is the product produced at home or abroad?
- What hourly rate/wage can the workers manufacturing this product expect to obtain? Do you think this is fair knowing the retail price?
- Are the workers in this industry unionised?
- What are their terms and conditions like? Did this surprise you? Explain.

For more information on direct labour costs in toy manufacturing please visit the website for the Asia Monitor resources centre www.amrc.org.hk or the Hong Kong Christian Industrial Committee www.cic.org.hk. Alternatively a report on the toy industry entitled “How Hasbro, McDonalds, Mattel and Disney manufacture their toys” can be downloaded from www.mcspotlight.org and contains other useful information.