

Financial Literacy

My Money & Me



Agenda

1. Getting started - What does money mean to you?
2. My Money and Me: Wages and Payslips
3. My Money and Me: Living Costs
4. Wrap up and Reflection



01

Getting started



What does money mean to you?

Create a mind map: fill it with everything you associate with budgeting or finance

- Think about what you already know about personal finance
- What words or questions do you associate with managing your money?



Where do I start?

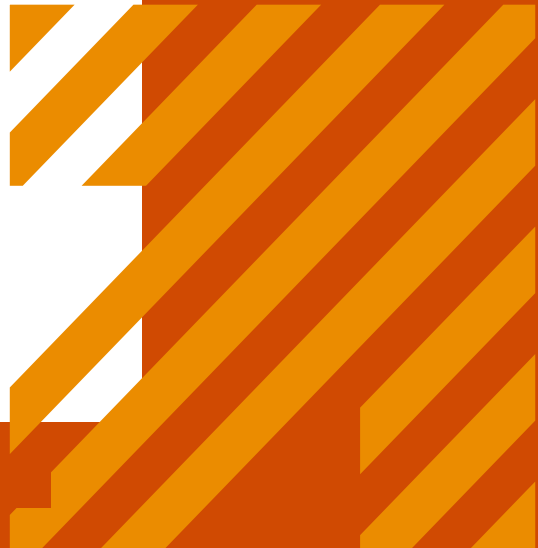
Financial literacy will apply throughout your life: you have probably already had some experience of managing your money

- Here are some examples of new experiences of financial literacy you might have/have had:
 - As a **child**: getting **pocket money** or gifts from relatives, or keeping a piggy bank
 - As a **teenager**: getting a **part time job** for some spending money
 - Going to **university** or going **travelling**
 - Getting your first **full time job**
 - Making a big **investment** such as a car or a home
 - Having a **child**
 - Adjusting to new financial circumstances when you experience a **big life change**
 - Managing your **pension** to support you when you **retire**

It is important to understand the principles of financial literacy to help you through these different life situations. These will guide you in your approach to new financial challenges.

02

Wages



Starter Activity: Can you afford it?

You want to go on holiday with your friends for a week. The trip will cost you around £700.

You are going to save up your wages from your job that pays you £10 an hour. If you work 70 hours, in 2 weeks you will have earned £700.

Discuss in pairs for **2 minutes**:

- In 2 weeks, will you have enough money to pay for the trip?
- What other factors in your life might you need to consider when thinking about whether you can afford the trip?



Starter Activity: Can you afford it?



Did anyone consider...

- Income tax
- National insurance
- Student loans
- Pension contributions
- Necessary expenses
- Household bills



Payslip and wages

Here is an example of a payslip?

National Insurance: money that you pay to the government in order to qualify for certain benefits, as well as a state pension

Tax code: this is used by your employer to work out how much income tax you should be paying

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Your National Insurance number tracks your social security contributions and tax payments

PAYSLIP

The current tax year runs from 6 April 2022 - 5 April 2023

PAY DATE	PAY TYPE	PERIOD
06/11/2023	WEEKLY	WK 34
PAY ROLL #	NI NUMBER	TAX CODE
32564	AT 33 23 12	NN29

The amount you earn in a month

EARNINGS	HOURS	RATE	CURRENT	YTD
Standard Pay	40	15.50	620.00	620.00
Overtime Pay	6	19.25	115.5	115.5
Holiday Pay	4	14.75	59.00	59.00
Basic Pay			1850.00	1850.00
Commission and Bonus			300.00	300.00
Expenses			-	-
GROSS PAY			£2944.50	£2944.50

DEDUCTIONS	CURRENT	YTD
PAYE Tax	200.00	200.00
National Insurance	50.00	50.00
Pension	35.00	35.00
Student Loan	7.50	7.50
	-	-
	-	-
TOTAL DEDUCTIONS	£292.50	292.50

The amount you pay in tax, national insurance, pension contributions and student loan

The pay you take home after these deductions

NET PAY	£2652.00	£2652.00
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Income Tax



If you earn over a certain amount, part of your salary will be deducted as income tax:

The amount that you pay in Income Tax is dependent on:

- how much income you earn above your Personal Allowance (£12,570)
- how much of your income falls within each tax band

Band	Taxable income	Tax rate
Personal allowance	Up to £12,570	0%
Basic rate	£12,571 to £50,270	20%
Higher rate	£50,271 to £125,140	40%
Additional rate	Over £125,140	45%

Personal allowance: currently, you can earn up to £12,570 before you start paying income tax

You do not get a Personal Allowance on taxable income over £125,140

Income Tax



These tax rates are marginal

If you earn above the threshold for a tax band, your entire income won't be taxed at that higher rate, just the amount that you earn over the threshold.

- **For example:** if you earned £50,370, only £100 of your income would be taxed at 40%.

Band	Taxable income	Tax rate
Personal allowance	Up to £12,570	0%
Basic rate	£12,571 to £50,270	20%
Higher rate	£50,271 to £125,140	40%
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Your turn: if you earned £22,571 in a year, how much of that income would be taxed at a rate of 20%?

Income Tax



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- **For example:** if you earned £50,370, only £100 of your income would be taxed at 40%.

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Higher rate	£50,271 to £125,140	40%
Additional rate	Over £125,140	45%

Your turn: if you earned £22,571 in a year, how much of that income would be taxed at a rate of 20%?

Answer: £10,000 would be taxed at a rate of 20%, because that's how much income you have earned above your personal allowance.

National Insurance



Another portion of your salary might be deducted as National Insurance. Once you are over 16, you pay National Insurance if:

- you are an employee earning over £242 a week
- you are self-employed and make a profit of over £12,570 per year

If you are employed, your national insurance payments go towards:

- State pensions
- Jobseeker's allowance
- Contribution based Employment and Support allowance
- Maternity allowance
- Bereavement support payment

As an employee, you will pay national insurance at these rates:

Your pay	Class 1 National Insurance rate
£242 to £967 a week (£1048 to 4189 a month)	10%
Over £967 a week (£4189 a month)	2%



Wages and Payslips

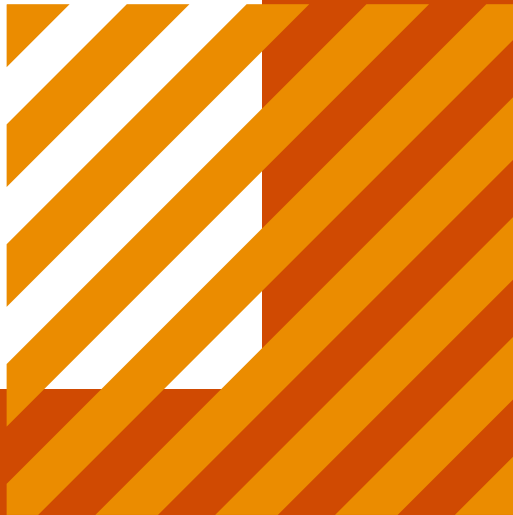
When thinking about your salary and what you can afford to spend it on, it is important that you consider these deductions, as well as others such as student loans and voluntary pension contributions.

As well as this, there may be other non-negotiable expenses that you have to pay before you can start spending your disposable income...



03

Living Costs



Accommodation

When thinking about your income, it's important to consider how much of that will have to be spent on your living costs.

A large portion of this may go into paying for your accommodation, whether this is through rent, a mortgage, or bills.

Discuss in groups (3 minutes): what might be some of the pros and cons of:

- renting a home
- being a homeowner



Living costs



What other household expenses might you need to budget for?

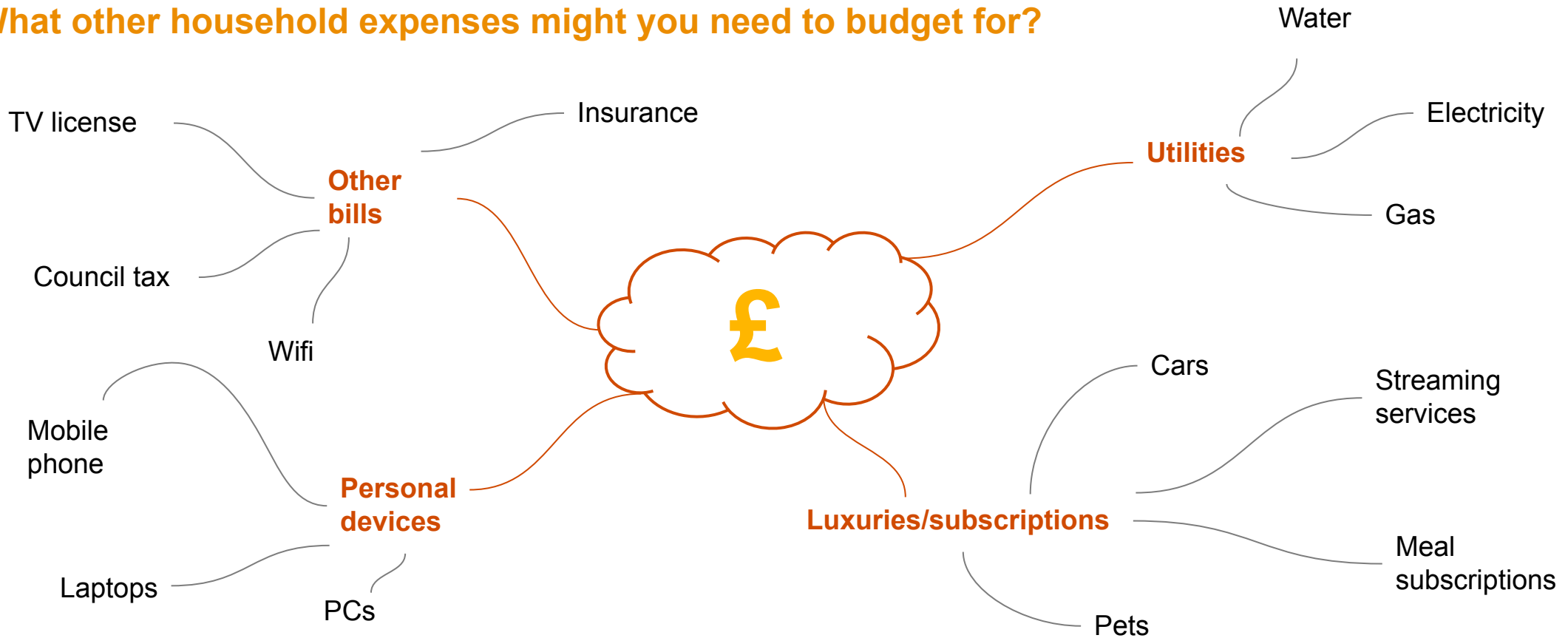


In your pairs, use the above headings to think about the other household expenses you might encounter (3 minutes).

Living costs



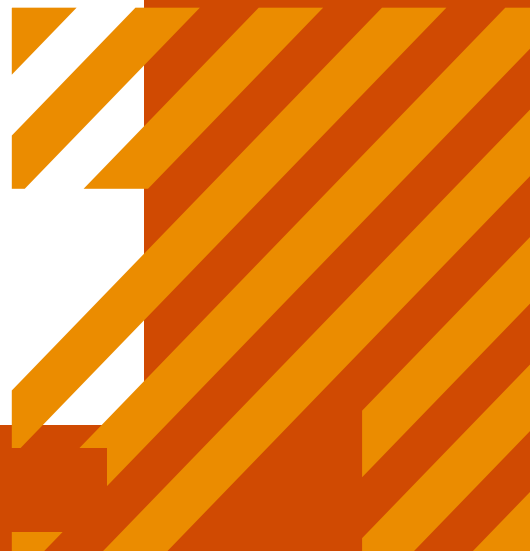
What other household expenses might you need to budget for?



In your pairs, use the above headings to think about the other household expenses you might encounter (3 minutes).

04

Wrap up and
Reflection



Wrap up activity: Can you afford it?

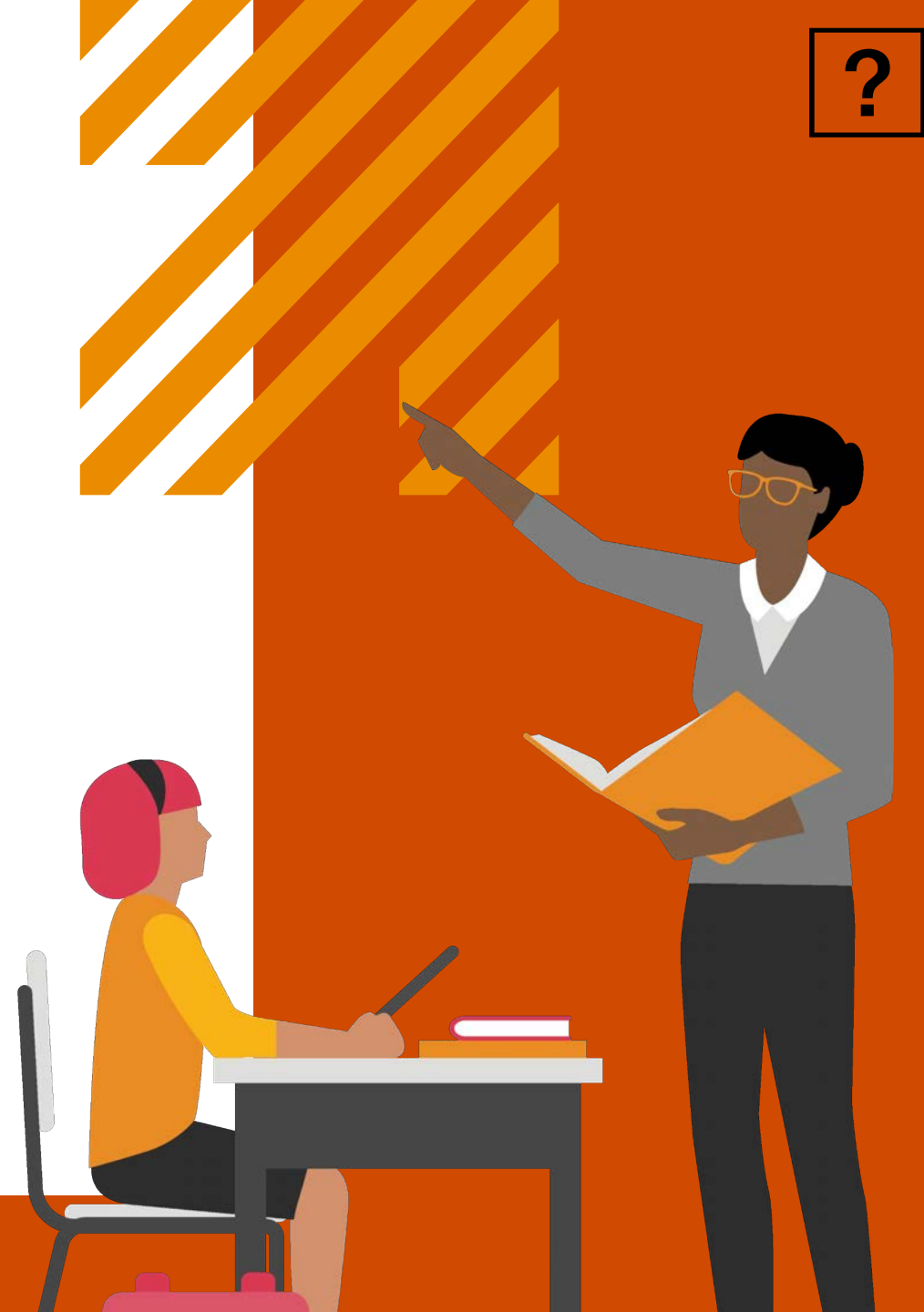
Look back at your starter: considering all the costs we have just discussed, what do you think now?

You want to go on holiday with your friends for a week. The trip will cost you around £700.

You are going to save up your wages from your job that pays you £10 an hour. If you work 70 hours, in 2 weeks you will have earned £700.

- In 2 weeks, will you have enough money to pay for the trip?
- What other factors in your life might you need to consider when thinking about whether you can afford the trip?
- **Why might it take you longer than 2 weeks to save up for the trip?**

Extension: what is a more realistic time frame?



Reflection



Choose one of the following questions to answer...

- Why is it important to understand the breakdown of your wages?
- What deductions to your salary do you need to accommodate for when budgeting?
- What are some examples of non-negotiable household expenses?



Thank you

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