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Budgeting

Ask the group if they understand the meaning of 'budgeting'. Is it a term they are familiar with? Do they know what it entails?

Budgeting is very important. It is the means by which a person keeps a check on their spending and is a valuable money management tool. With a good understanding of budgeting, a person will know where they stand financially and how to make their money last.

Many people decide to look at their finances, including plans to save, at the beginning of the year. This is usually because they have spent a large amount of money over the Christmas period. Others may decide to look at their money situation when they are in debt. However, it is much better to start budgeting before you get into a financial mess. So, just how do we draw up a budget?

The first thing to do is to look at your situation. For example, look at the money you have, the money you owe, the things you need to spend money on, how much you earn etc. This isn't always as easy as it sounds and you will need to spend some time planning your budget. You will also need to decide whether you want to set up a weekly or monthly budget planner as this will help you to see where your money is going.

Give out **WORKSHEET 4** and ask the group to keep a diary of their spending for the next two weeks.

Tell them they must include every single penny they spend. They mustn't forget the odd magazine, bag of crisps, chocolate bar, bus fare — absolutely everything must be written down in their spending diary. This is the only way they will know exactly where their money is going.

After two weeks, ask for volunteers to read out their spending diaries. Did they always remember to enter their spending in their diaries? Are they surprised at how much money they have spent? Where does their money come from (pocket money, Saturday job etc)? Is there anything they bought that they could have done without? In other words, are they prepared to start thinking more carefully about what they spend their money on? Did anyone manage to save anything in the last two weeks? If not, why not?

WORKSHEET 4

My Spending Diary

Keep a spending diary for the next two weeks. Include *everything* you buy right down to the last penny—every bag of crisps, chocolate bar, magazine, bus fare etc. Enter the details below. At the end of two weeks you can discuss your diary with the rest of the group. Continue on a separate sheet if necessary.

<u>Date & Item Bought</u>	<u>Amount</u>

Savings Accounts

In the section on budgeting, we saw how important it is to save. Remember that it doesn't matter if you can only afford to save a small amount, as long as it is a regular activity. Many people save money in a piggy bank or another type of money box. This is a good way of saving small change as it soon mounts up. Once there is a large amount of change, it can be counted into the bank's plastic money bags and paid into a bank account.

Savings accounts are one of the best ways of saving because money is kept safe and secure. There are many types of savings accounts and they usually pay more interest on balances than a current account. It is easy to withdraw cash from these accounts although some may require a certain amount of notice. Because money earns interest in a savings account, it is a good place to keep money that isn't being used.

Give out **WORKSHEET 10** and ask the group to carry out research on the different types of savings accounts.

Regular Savings Accounts

These accounts are designed for people who want to save regularly — usually a set amount every month. The interest rate varies according to the bank and the conditions of the agreement. There may also be a limit on the number of withdrawals that can be made each year.

Notice Accounts

With these accounts the bank requires notice before you can take money out. The amount of interest paid usually depends on the notice period. You can withdraw money immediately but you will lose interest on that amount. There are many types of notice accounts and you will need to look at the details to find out which one suits you. Banks make money from savings accounts by investing the money or using it to provide loans to individuals, businesses and governments. The bank pays the saver part of the interest and keeps the rest.

It is important to open a savings account as soon as you can. You don't need to wait until you are working full-time — you can start saving part of your pocket money, or perhaps you have a part-time job in the evenings or at weekends. Whatever money you have, however small the amount, try to get into the habit of saving a small amount each month.