

PCSHE Booklet – Year 11

Topic 4 – Financial Decision Making

Name: _____

Class: _____

Teacher: _____

Year 11 Curriculum Overview			
Topic 1: Communication in relationships Personal values, assertive communication (including in relation to contraception and sexual health), relationship challenges and abuse.	Topic 2: Health Choices and Independence Responsible health choices, reproductive health, miscarriage, self-examination and screening.	Topic 3: Families Different families and parental responsibilities, pregnancy, forced marriage and changing relationships.	Topic 4: Financial Decision Making Payslips, Tax and Mortgage

Knowledge Organiser

<p>KPI1: Key definitions:</p> <ul style="list-style-type: none"> Employee number: your payroll number (every member of staff is given one when they start working at a company) National Insurance Number: everyone over the age of 16 is given a personal NI number Tax code: this consists of a number, followed by a letter. Normally, when you multiply the number by 10, it should give you your tax-free personal allowance Tax period: each month is allocated a number in the tax year, which starts in April (April = 1, May = 2, etc.) Taxation: A means by which governments finance their expenditure by imposing charges on citizens and corporate entities. Deductions: Any item or expenditure subtracted from gross income to reduce the amount of income. National Insurance: The system of compulsory payments by employees and employers to provide state assistance for people who are sick, unemployed, or retired. Direct Taxation: Are usually obvious amounts such as income tax which you can see being taken from your pay or have to pay direct to HMRC. Other direct taxes include corporation tax, capital gains tax and inheritance tax Indirect taxation: This is less obvious than a direct tax as it is included in the price of things that you buy. E.G. VAT Gross Income: Total amount of income earned before any deductions. Net Income: Total amount of income you receive after all deductions Mortgage: A mortgage is a specific type of loan that relates to your home. A lender will pay a certain percentage of the overall cost of your home and this loan is 'secured' against the property. Income: Income is the money or earnings that individuals or businesses receive from various sources, such as jobs, investments, or business activities. Expenditure: Expenditure is the money that individuals or businesses spend or use to pay for goods, services, or bills. Disposable: Disposable refers to the income or money that individuals or households have left after paying taxes and essential expenses. It is the money available for spending or saving on non-essential items. 	<p>KPI2: How is income tax calculated?</p> <p>As an employee:</p> <ol style="list-style-type: none"> You pay 0% on earnings up to £12,500* for 2019-20 Then you pay 20% on anything you earn between £12,501 and £50,000 You'll pay 40% income tax on earnings between £50,001 to £150,000 If you earn £150,001 and over, you pay 45% tax. <p>For example, if you earn £52,000 a year, you pay:</p> <ol style="list-style-type: none"> Nothing on the first £12,500 20% (£7,500.00) on the next £37,500 40% (£800) on the next £2,000. <p>Therefore, you would expect to pay • £8,300 per year / £691.66 per month</p> <p>KPI 3: What happens if I don't pay income tax?</p> <p>Most people pay Income Tax through PAYE. This is the system your employer or pension provider uses to take Income Tax before they pay your wages or pension.</p> <ol style="list-style-type: none"> If your employer makes a mistake and under pays your tax, you could be made to repay that amount through the next years PAYE. If you are a self-employed person, you are responsible for filing your tax returns each year with the HMRC. Failure to do so or filing late or inaccurate returns can result in a HMRC Enquiry. If the enquiry find you are guilty of deliberately misleading or falsify your tax record you can be prosecuted for fraud. In most cases you will be given a bill for the unpaid tax and a set time frame to pay it back. <p>KPI4: Other sources of income</p> <p>Student loans</p> <ul style="list-style-type: none"> The maximum that a university can charge is £9,250 per year (for students from the UK, studying a course in England that starts in the 2019-20 academic year) Students can get a tuition fee loan to cover these costs. This isn't paid back until after the course has finished, and only when you are earning above a certain income. As of March 2017, this is at a rate of 9% on any income over £25,725 <p>Pensions</p> <ul style="list-style-type: none"> People over 22 years of age in employment, earning over £192 per week or £833 a month, will be auto enrolled in a pension scheme by their employer As of April 2019, the minimum contribution is 8% of your pre-tax salary. This is made up of a minimum 3% employer contribution, 4% employee contribution and 1% of tax relief from the government It is possible to opt-out of the pension scheme
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Knowledge Organiser

PCSH E – Year 11 Topic 4 – Financial Decision Making

KPI 5: Types of Taxation

Income Tax	Is about 26% of the governments income and is based on a person's earnings
National Insurance Contributions	This builds up your entitlement to certain social security benefits, including state pension.
Inheritance tax	Tax paid on wealth (property) passed on from one person to another during their lifetime or as a part of their estate after death.
VAT	Charged at flat rates and are added to the price you pay for the goods of services (spending tax)
Council tax	This is a tax based on the value of your home and help pays for local services like policing and refuse collection
Stamp Duty	A government tax which is payable when a property is sold
Corporation tax	Term given to the type of taxation charged on the profits of companies
Road tax	Tax paid for usage of automobiles (cars)

KPI6: Mortgages

A mortgage is a specific type of loan that relates to your home. A lender will pay a certain percentage of the overall cost of your home and this loan is 'secured' against the property. This means that, if you fall behind in your payments or encounter financial difficulties, the lender has certain rights over your property and may even repossess it.

KPI7: Types of Mortgages

Fixed Mortgage	A fixed-rate mortgage means that your mortgage payments will stay the same for a set period. You can set the length you want to fix your costs for, typically 2, 3, or 5 years or longer. No matter what happens to inflation, interest rates, or the economy, you know that your mortgage payment, usually your biggest outgoing, will not change.
Tracker Mortgage	A tracker mortgage is a home loan where the interest rate you pay is based on an external rate - usually the Bank of England base rate - plus a set percentage. The base rate is currently at a record low of just 0.1%, after two emergency cuts in March 2020 due to the coronavirus outbreak. So, if the interest rate on a tracker mortgage was the base rate +1%, the amount of interest you would pay is 1.1%. If the base rate went up, the interest rate on your tracker mortgage would also rise.
Standard Variable rate	Mortgage lenders set their own standard variable rate, and this, along with your mortgage repayments, can go up or down at any time. Although the SVR can be influenced by changes in the Bank of England base rate, they do not have to strictly follow it. Instead, other factors such as the lender's cost of borrowing can influence the SVR and the lender can choose to raise or lower its SVR whenever it wants. This means that if the base rate rose by 1%, a lender might decide to: <ul style="list-style-type: none"> • Increase its SVR by 1% • Increase its SVR more than 1% • Increase its SVR by less than 1% (less likely) • Leave the SVR unchanged (unlikely) Similarly, if the base rate went down by 1%, a lender might choose to lower its SVR by 1% or less, or not lower it at all.

Low Stake Quiz

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

Sliding Scale – Lesson 1

Wages and Payslips

Task: Complete the sliding scales below by circling a number to demonstrate your confidence level with each learning objective.

Sliding Scales

I am able to outline the important information contained on a payslip.

Not confident

Confident



I am able to estimate and calculate take-home pay for different jobs and different circumstances.

Not confident

Confident



I am able to outline the importance of checking payslips and ensuring deductions and correct.

Not confident

Confident



I am able to identify employee benefits beyond salary.

Not confident

Confident



Key words: Payslips, wages, deductions, national insurance, tax, net income, gross income, pension

Task 1: In your booklet make a list of the different places where money can come from.

Jacob is 15 years old, and Sonya is 21, and both are applying for jobs

Jacob wants to apply for...



Sales Assistant

A part-time sales assistant is required for our flagship store which sells mobile phones, smart technology and gaming devices. Previous experience preferred but not essential.

£4.50 per hour, up to a maximum of 6 hours per week. Flexible overtime is paid at £6 per hour and is often available, but not guaranteed.

Sonya wants to apply for...



Trainee Engineering Manager

A full-time trainee engineering manager is required to assist with the building of a new sports stadium. Relevant degree (or equivalent qualification) required.

The starting salary is £20,400.

Task 2: Using the information in your booklets and your calculator, answer the following questions.

1. How much could Jacob earn in a week?
2. How much could Sonya earn each month?

Task: Watch the following video and annotate your blank payslip in your booklet to explain what each section tells you.

Employer's Name: Selling Is Us		Employee Number: 31		Employee Name: Ollie	
Pay Method: Electronic		Account no: 876543210		Sort Code: 110011	
Tax Period: 6	Tax Code: 1060L	NI Number: BB001122E	From: 09.2016		
THIS PERIOD					
Gross Monthly Pay:		£1920.00			
THIS PERIOD					
National Insurance:		£149.80			
Income Tax:		£200.67			
Student Loan:		£15.30		NET PAY	
Total Deductions:		£365.77		£	
YEAR TO DATE					
Total Pay:		£11520.00			
Deductions to Date:		£			

Task 3: Complete the following questions to demonstrate your understanding.

Payslip	Name: Joe Smith			
Joe Smith, 685 Hatfield Road, Hatfield AL8 BK				
Employee No	Tax Code	N.I. Code	Week/ Month	National Insurance No
062	568LR	A	3	KT 66 99 88 D

Gross Pay:	£830 per month (or 10,000 per year)
Annual Income Tax:	£80 per month
National Insurance Contribution:	£45 per month
Pension Contribution:	£45 per month
Net Pay:	£660 per month (or £7,920 per year)

Use the information on the payslip to answer the questions.

- 1) What is Joe's gross monthly pay?
- 2) What is Joe's net monthly pay?
- 3) What deductions does Joe have taken from his monthly pay?
 - a)
 - b)
 - c)
- 4) What is the total amount deducted from Joe's monthly pay?
- 5) How much National Insurance does Joe pay in a year?
- 6) How much income tax does Joe pay in a year?
- 7) Explain in your own words the difference between gross pay and net pay.
.....
.....

Task: Complete the payslip for Sonya. There is a help sheet at the end of the lesson in the booklet.



Sonya is 21 and is a trainee engineering manager at a construction company. She is paid monthly and earns £20,400 per year. Because Sonya is over 16 she pays tax (PAYE) and National Insurance Contributions. She has a student loan but doesn't earn enough yet to make repayments.

Calculate Sonya's PAYE:

- An annual personal tax allowance is 10x the number given in the tax code. What is Sonya's annual personal tax allowance?
- Work out Sonya's taxable pay – the amount of her salary that Sonya will have to pay tax on
- Calculate how much tax Sonya will pay over the year (the tax rate is 20% of taxable pay)
- Work out how much tax Sonya will pay each month

Calculate Sonya's NICs:

- National Insurance Contributions (NICs) are paid on annual earnings over £8,632. Work out how much of her annual salary Sonya will pay NICs on.
- Calculate the NICs Sonya needs to pay on this amount. NICs are paid at 12% (on annual earnings over £8,632)
- Work out Sonya's monthly NICs.

Employee No	Employee	Pay Date	Tax Code	National Insurance Number
0567	S Fletcher	30/06/2019	1250L	AB 123456 C
Payments	Units	Rate	Deductions	Amount
Basic	1	£ _____	PAYE	£ _____
			NIC	£ _____
			Pension	£0.00
			Student Loan	£0.00
Totals for this period				
Ms S Fletcher 4 My Road My Street My Town MT1 1BD			Totals Year to Date	
Total gross pay		£ _____	Total gross pay TD	£5100.00
			Tax paid TD	£394.98
			NIC TD	£353.04
			Pension TD	£0.00
ABC Company Name			Total Net Pay	£ _____

Help Sheet

1. Calculate personal tax allowance: $1250 \times 10 =$
2. Gross salary – personal tax allowance =
3. Answer to Q2 $\times 0.2 =$
4. Answer Q3 $\div 12$ (months) = PAYE

Monthly salary prior to tax

Employee No	Employee	Pay Date	Tax Code	National Insurance Number
0567	S Fletcher	30/06/2019	1250L	AB 123456 C
Payments	Units	Rate	Deductions	Amount
Basic	1	£	PAYE NIC Pension Student Loan	£ £ £0.00 £0.00
Totals for this period				
Ms S Fletcher 4 My Road My Street My Town MT1 1BD	Total gross pay	£	Totals Year to Date	
			Total gross pay TD	£5100.00
			Tax paid TD	£394.98
			NIC TD	£353.04
			Pension TD	£0.00
	ABC Company Name		Total Net Pay	£

1. Annual Gross salary $(20,400 - 8632) =$
2. Answer to Q1 $\times 0.12 =$
3. Answer to Q2 $\div 12$ (months) = NIC

Low Stake Quiz

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

Sliding Scale – Lesson 2

Tax

Task: Complete the sliding scales below by circling a number to demonstrate your confidence level with each learning objective.

Sliding Scales

I can define tax and explain what taxes need to be paid.



I can explain why the government collects tax and national insurance.



I can explain why it is important to think about your tax responsibilities when you first start work.



Key words: Income tax, council tax, national insurance, corporation tax, inheritance tax, stamp duty, VAT, road tax

Task 2: Complete the following tasks

1. Match up the type of tax to the definition in your booklet
2. Explain why each tax is important
3. Explain what you think might happen if citizens decided not to pay taxes

INCOME TAX

Charged at flat rates and are added to the price you pay for the goods or services (spending tax)

COUNCIL TAX

tax paid on wealth (property) passed from one person to another during their lifetime or as part of their estate after death.

NATIONAL INSURANCE

this builds up your entitlement to certain social security benefits, including the State Pension

CORPORATION TAX

This is a tax based on the value of your home and help pays for local services like policing and refuse collection

INHERITANCE TAX

Term given to the type of taxation charged on the profits of companies

STAMP DUTY

Tax paid for usage of automobiles

VAT

is about 26% of governments income and is based on a persons earnings.

ROAD TAX

A government tax which is payable when a property is sold

What would happen if we paid no taxes?

No .	Job Description	Children	Weekly wage	After Tax
1	Waitress + single mother	4	£150	£120
2	Health care assistant	1	£200	£170
3	Judge	2	£1,000	£650
4	Unemployed	2	£50	£50
5	Window cleaner	0	£150	£120
6	Shop Assistant	2	£150	£120
7	Bus Driver	3	£180	£155
8	University Student	0	£50	£50
9	MP	0	£1,000	£650

Task 3: Choose one individual from this table and highlight the weekly wage in your booklet.

Based on the information on the next slide work out whether they could afford to live comfortably if they paid individually for the services.

In the tax year April 2021 to March 2022, someone under 65 years of age can earn up to **£12,570** per year without paying any tax – this is called a Personal Allowance. Earnings over **£12,570** are taxed at:

- **£12,570 – £50,270 → 20%**
- **£ 50,270 – £150,000 → 40%**
- **Over £150,000 → 45%**

Calculating Income Tax

Sarah is a teacher and earns £36,000 per year

Personal allowance of £12,570

$$\text{£36,000} - \text{£12,570} = \text{£23,430}$$

Sarah will be taxed on £23,430 of her earnings

£23,430 falls into the 20% tax band

$$\text{£23,430 @ 20\%} = \text{£4,686}$$

Sarah will pay £4,686 tax over the year

Task 4: Calculate the income tax for Quentin, Akbdul, and Michael.

Working Out Income Tax - Quentin

Quentin is a window cleaner and earns £27,000 per year

Personal allowance of £12,570

$$\text{£27,000} - \text{£12,570} = \text{£_____}$$

Quentin will be taxed on £_____ of his earnings

£_____ falls into the 20% tax band

$$\text{£_____ @ 20\%} = \text{£_____}$$

Quentin will pay £_____ tax over the year

Working Out Income Tax - Akbdul

Akbdul is a Manager at TESCO and earns £42,000 per year

Personal allowance of £12,570

$$£42,000 - £12,570 = £\underline{\hspace{2cm}}$$

Abdul will be taxed on £ of his earnings

£ falls into the 20% tax band

$$£\underline{\hspace{1cm}} @ 20\% = £\underline{\hspace{1cm}}$$

£ falls into the 40% tax band

$$£\underline{\hspace{1cm}} @ 40\% = £\underline{\hspace{1cm}}$$

$$£\underline{\hspace{1cm}} + £\underline{\hspace{1cm}} = £\underline{\hspace{1cm}}$$

Abdul will pay £ tax over the year

Working Out Income Tax - Michael

Michael is a Director of a company and earns £160,000 per year

Personal allowance of £12,570

$$£160,000 - £12,570 = £\underline{\hspace{2cm}}$$

Michael will be taxed on £ of his earnings

£ falls into the 20% tax band

$$£\underline{\hspace{1cm}} @ 20\% = £\underline{\hspace{1cm}}$$

£ falls into the 40% tax band

$$£\underline{\hspace{1cm}} @ 40\% = £\underline{\hspace{1cm}}$$

£ falls into the 45% tax band

$$£\underline{\hspace{1cm}} @ 45\% = £\underline{\hspace{1cm}}$$

$$£\underline{\hspace{1cm}} + £\underline{\hspace{1cm}} + £\underline{\hspace{1cm}} = £\underline{\hspace{1cm}}$$

Michael will pay £ tax over the year

Did you know?

To work out a % of a number:

$$3,500 \text{ at } 20\% = 3,500 \times 0.2 = 700$$

Or a longer way

$$3,500 / 100 = 35 (1\%)$$

$$35 (1\%) \times 20 = 700$$

Earnings over **£12,750** are taxed at:

• **£12,750 – £37,500** →

20%

• **£37,500 – £150,000** →

40%

• **Over £150,000** → 45%

Task 6: Answer the following questions in your booklet.

1. List as many different types of tax as you can remember

2. Explain in three sentences how the government acquires its money

3. Explain how the government spends its money (and what on)

Ext Question;

Explain how our tax system works and why it is a fair system for all sections of society

Low Stake Quiz

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

Sliding Scale – Lesson 3

Housing and Mortgages

Task: Complete the sliding scales below by circling a number to demonstrate your confidence level with each learning objective.

Sliding Scales

I understand the important role financial planning plays in achieving personal goals.

Not confident

Confident



I know different ways to pay living expenses and about the different borrowing and saving options.

Not confident

Confident



Key words: Housing, living expenses, mortgages, financial planning, fixed-rate, standard variable, tracker mortgage

What is a home?

Task 1: Come up with as many different types of 'home' that you can think of.



What do I want from a home?

Task 3: What is most important to consider when deciding where to live. Rank the statements in order of importance (1-9). 1 shows the most important. 9 shows the least important. There are no right or wrong answers and everyone will have slightly different priorities.

1. Proximity to work/school
2. Monthly cost of rent or mortgage
3. Size
4. Number of co-inhabitants
5. Proximity to family/friends
6. Access to parking
7. Running costs/bills
8. Transportation links
9. Proximity to shops

Task 8: Complete the following two tasks in your booklet to demonstrate your understanding

1. Define the term mortgage

A mortgage is

2. Provide two examples of mortgages, identify their features.
