

# PCSHE – Year 10 Term 1 – Financial Decision Making

## Key Terms:

- **Income Tax:** Income tax is the money that individuals or businesses have to pay to the government based on the money they earn or the profits they make.
- **Earnings:** Earnings are the money or income that individuals or businesses receive from their work, businesses, or investments.
- **Employee:** An employee is a person who works for an employer or a company. They do a job or provide services in exchange for a salary or wages.
- **Employer:** An employer is a person, company, or organisation that hires and pays employees to do work for them.
- **Tax returns:** Tax returns are forms that individuals or businesses fill out and send to the government to report their income and calculate how much tax they owe or if they are owed a refund.
- **Budgets:** Budgets are plans that help individuals or businesses keep track of their money. They show how much money is coming in (income) and how much is going out (expenditure), helping to control spending and save money.
- **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.
- **Mortgage:** A mortgage is a loan from a bank or lender that helps people buy a house. The borrower pays back the loan over time, along with interest, until the loan is fully repaid.
- **Loan:** A loan is an amount of money borrowed from a bank or lender. The borrower agrees to repay the loan over time, usually with interest added.
- **Gambling:** Gambling refers to playing games of chance or betting on uncertain outcomes, usually involving money. It involves taking a risk with the hope of winning more money or prizes.
- **Value:** Value refers to the worth or importance of something. It can be the monetary worth of an item or the significance or usefulness it holds.
- **HMRC:** HMRC stands for Her Majesty's Revenue and Customs. It is the government agency in the United Kingdom responsible for collecting taxes and enforcing tax laws. HMRC ensures that individuals and businesses meet their tax obligations and provides guidance and support regarding tax-related matters.
- **PAYE:** PAYE stands for Pay As You Earn. It is a system used by employers in the United Kingdom to deduct income tax and National Insurance contributions from their employees' salaries or wages.
- **Tax obligations:** Tax obligations refer to the legal responsibilities or duties that individuals or businesses have to fulfill regarding their taxes.
- **Debt:** Debt refers to an amount of money that one party (person) owes to another.
- **Prosecution:** Prosecution refers to the legal process of charging and following up a case against an individual or group accused of committing a crime.
- **Fraud:** Fraud is a dishonest act carried out with the intention to gain an unfair advantage. It involves concealment (*hiding*) of information, or manipulation of facts for personal or financial gain.

## KPI 1: Tax

### Income Tax:

As an employee:

- You pay 0% on earnings up to £12,750 for 2020-21
- Then you pay 20% on anything you earn between £12,751 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.

For example, if you earn £52,000 a year, you pay:

- Nothing on the first £12,750
- 20% on the next £37,500
- 40% on the next £2,000.

Therefore, you would expect to pay:

- £8,300 per year / £691.66 per month

### What happens if I don't pay income tax?

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. 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 the amount is under £3,000 and you earn under £30,000 per year. In some very limited circumstances, it may be possible for HMRC to write off the debt, or, if your employer or pension payer is at fault, to collect the tax from them instead. 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 faking 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.

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## KPI2: Budgeting

BUDGETS are a valuable tool for managing your money. They are used to manage INCOME (money coming in) and EXPENDITURE (spending on a weekly, monthly and yearly basis). Most Budgets contain a list of all spending that is ESSENTIAL, and spending that is optional (DISPOSABLE).

### Why is budgeting important?

Since budgeting allows you to create a spending plan for your money, **it ensures that you will always have enough money for the things you need** and the things that are important to you. Following a budget or spending plan will also keep you out of debt or help you work your way out of debt if you are currently in debt.

### Advantages of budgeting:

- Makes it easier to track and control spending
- Shows where you are spending too much
- Can relieve and reduce money related stress
- Can help with managing debt
- Can help free up and save money
- Can help with investing money (a way to make more profit from your money)
- Can help prepare for emergencies
- Can help when applying for a loan or a mortgage

### How to stick to a budget:

- Consider quality versus price – cheaper things cost less but might need frequent replacement, so in the long term you end up spending more
- Keep your budget up to date – regular checks of your money allows you to see if you need to make changes
- Treat yourself – always factor in money for entertainment, holidays and rewards
- Self-discipline – changing spending habits takes a lot of willpower
- Be realistic – what can you really afford to spend, and pay off?
- Motivation – remember your reasons for spending and saving

### Consequences of poor budgeting:

- A person may fall into debt
- A person might not be able to reach their goals
- A person might not be able to pay for essential items
- Difficulty in saving for the future
- Stress because of less money and debt

## KPI3: Gambling

### What is gambling?

Gambling is the act of wagering something of value (usually money), on an event/game with an uncertain outcome. The aim of which is to win something else of value (usually higher value).

### How common is gambling?

More than two million people in the UK either have a gambling disorder or are at risk of addiction. Technology enables greater accessibility to gambling from an early age. E-sports gambling (i.e. betting on online match-play rather than in-person sporting events) is a particular vulnerability for young people.

### Why do people gamble?

- For social reasons – This may be because it's what a group of friends do when they get together, or because it makes a social gathering more enjoyable.
- For financial reasons – to win money, because someone enjoys thinking about what they would do if they won a jackpot, or because winning would change someone's lifestyle.
- To clear debt – The temptation to get rid of financial worries in one day is a reason people gamble. People can win a lifetimes salary in the space of a day, or lose everything.
- For entertainment reasons – because they like the feeling, to get that rush or "high", or because it makes them feel good.
- For coping reasons – for someone to forget their worries, because they feel more self-confident, or because it helps when they are feeling nervous or depressed.

### Someone may be a compulsive gambler if they...

- spend more money on gambling than you can afford
- gamble when you should be doing something else, like working or spending time with family
- feel anxious or stressed about your gambling
- use gambling to deal with problems or difficult feelings
- lie to family and friends about your gambling
- borrow or steal to fund your gambling.

### Problems gambling can cause:

- Relationship problems
- Financial problems, including bankruptcy
- Legal problems or imprisonment
- Poor work performance or job loss
- Poor general health
- Suicide, suicide attempts or suicidal thoughts