

Financial Literacy Programme: Module 4

ACTIVITY 4.9 Purchasing a car

Research/classroom activity

Suggested time: 1 period

Resources: Newspapers, car buyer guides, magazines etc.

Students are alerted to the different decisions that need to be made relating to the purchase of a car.

- In groups or pairs, students can make a list of possible cars for Nineti to choose from. She has saved \$3000 towards the purchase of her first car. From a variety of sources (newspapers, car buyer guides etc), make a list of cars, including the make, age, model and price.
- Decide on a maximum price she should pay for the car. Nineti could buy a car for \$3000 or borrow from the bank or take out a hire purchase agreement to purchase a more expensive car.

Monitoring progress and assessment

- List the reasons for the decision made.
- What are the opportunity costs of the next best alternatives?

Debriefing — Reflective learning

Consider

- Now that a choice has been made about a car purchase, what else needs to be taken into consideration? What other costs are there involved in car ownership?
- What effect will car ownership have on a budget?



My Personal Learning Portfolio 1 Module 4 Page: 83

**ACTIVITY 4.9
Purchasing a car**

Help Nineti buy a car. Provide a range of options for her.

Make	Model	Age/kms	Price

Put the cars in rank order of choice.

- 1 _____
- 2 _____
- 3 _____
- 4 _____
- 5 _____

The reason for the top choice is:

The opportunity cost of the top choice is:

What other costs are involved in car ownership?

Cost e.g. petrol	Expense (per year)

Follow on lesson:

Financial Literacy Programme: Module 4

ACTIVITY 4.10

- Identifying insurance factors relating to car ownership
- My Personal Learning Portfolio 1 Module 4 Page: 84

Sample FLP Exam question:

2004 Exam Section 4 - Financial Risk Question 2

2. The insurance company would have required Jake to provide certain information relating to his car ownership. List at least six factors (3 marks)

Additional notes:

Financial Literacy Programme: Module 3

ACTIVITY 3.1

Personal financial goal setting in the short term

Classroom activity

Suggested time: 0.5 - 1 period

Resources: MY PERSONAL FINANCIAL GOAL
Budgeting and You - Pre-reading or supplementary exercise
Booklets are available from Visa entitled "Budgeting Guide" and "Credit Guide"

The following activity encourages students to make a commitment towards a financial goal. It can then be incorporated into their budget expectations.

-Students brainstorm a variety of targets that they would find appropriate and that they would like to achieve financially at their age and make it a financial goal, for example:

- 20% deposit on a \$1000 stereo
- deposit for a car/motorbike
- purchase of specialist sports clothes or equipment
- a target sum of money for spending on an overseas trip
- fees/books for first year tertiary education.

-The teacher could identify or, in groups, students could decide what conditions need to exist to make this goal possible. The elements in goal setting include ideas such as

- the goal must be realistic
- the goal must be achievable within the time limit
- the goal needs to be measurable in some way (a financial goal needs a target amount, not just some money)
- there needs to be a target date by which the goal will be achieved.

Example: To have \$500 in a bank account to take with me when our family goes on holiday to Australia next Christmas.

- Each student establishes a personal goal and works out the time chosen for achieving it.
- Students consider such things as how many weeks/pay periods there are before the target date? What is the average amount required for saving towards the target? Is this possible all weeks? How could the target be reached if for some weeks the average amount of savings is not possible? Do priorities need to be set?

-Oral report to the class by some/all students. Students could make constructive suggestions or comments about each person's plan of action.



Monitoring progress and assessment

- Review suggestions for the personal plan of action, and fill out the form.
- Identify what impact the plan would make on a current budget.

Debriefing — Reflective learning

- Students could consider the opportunity cost of committing the personal plan to paper. Does this increase/decrease the commitment to the goal and/or make it easier to manage?



My Personal Learning Portfolio 1 Module 3 Page: 46

**ACTIVITY 3.1
Personal financial goal setting in the short term**

Making a commitment towards a financial goal is a useful first step. The planned saving can then be incorporated into the budget. Short term planning (up to a year) leads to long term planning.

The following elements are part of the goal setting process:

- The goal must be realistic
- The goal must be achievable within the time limit
- The goal needs to be measurable in some way (a financial goal needs a target amount, not just some money)
- There needs to be a target date by which the goal will be achieved.

Two short term goals I would like to achieve are:

1. _____
2. _____

Choose one goal and put a financial target on it.

\$ _____

How many weeks are available between now and the date of achievement?

Financial contribution to the goal each week is (\$ value) no. of weeks) _____

If this amount cannot be put aside every week, what do I need to do? What priorities should I set?

Fill out MY PERSONAL FINANCIAL GOAL

What impact would this plan have on any current budget?

The impact of committing the goals to paper is

MY PERSONAL FINANCIAL GOAL (DREAM WITH A DEADLINE)

Checklist:

- My goal is realistic - within the realm of my capability
- My goal is achievable - a small enough step to really happen
- My goal can be measured - a definite amount is targeted
- My goal has a time limit - a set time is allotted

My goal is

I will know that I have achieved it when
(the target)

When will I achieve it by?

Signature

Budgeting and You! Looking at Language

1. Match the parts of sentences to form sayings connected with budgeting and money.

- | | |
|--------------------------------|---|
| 1. A fool and his money | a. grow on trees |
| 2. Money is the | b. for love nor money |
| 3. I wouldn't do it | c. the dollars will look after themselves |
| 4. Money doesn't | d. are soon parted |
| 5. If you look after the cents | e. the root of all evil |

2. Which of the expressions from the above exercise would you use to comment on these situations?

- You're watching a TV programme about a man who fights crocodiles for fun.
- You hear that, someone you think is stupid has paid \$300 for some jeans.
- You're reading a newspaper article about two brothers who killed each other over a lotto ticket.
- A child you know is saving up for a bicycle, but complains that it is a slow process.
- Paul wants his parents to buy him a very expensive leather jacket. They want him to realise that you have to work hard to earn money.
- The expenditure at WINZ.
- John Hawkesby and his multi million dollar payout.

3. Who receives what?

expenses	allowance	grant	royalties
fine	bribe	commission	payout
pocket money	salary	superannuation	fee

Match these words with the phrase to show who receives what.

- | | |
|---------------------------------------|---|
| 1. a child from its parents | 2. a lawyer from a client |
| 3. a waiter from a satisfied customer | 4. a weekly-paid factory worker |
| 5. a fortnightly-paid teacher | 6. a student at university |
| 7. someone who drives too fast | 8. a businessman, to pay for hotels and meals |
| 9. a corrupt politician | 10. an unemployed person |
| 11. a French farmer | 12. a retired person |
| 13. John Hawkesby | 14. a blackmailer |

Financial Literacy Programme: Module 6

ACTIVITY 6.4

Getting that first job and paying income tax

Classroom activity

Suggested time: 0.5 - 1 period

Resources: IRD number applications
IR 594 (IRD number application – children)
IR 595 (IRD number application – individual)
IR 330 Tax code declaration
IR 538 Personal tax summary
(All these forms are available on the IRD web site www.ird.govt.nz and also in the Resource Section in the teacher's manual)
What is a personal tax summary?
Resource Section: "What is an IRD number?", "What is income tax?"

By completing this activity, students should become familiar with the initial steps for complying with IRD requirements for employment.

6.4(a) Who are you?

- IRD requires all those in certain circumstances be registered on a database. This enables IRD to send out appropriate material as necessary.
- Students identify when people need to have an IRD number (see Resource Section).
- Students insert an IR 595 form into the Personal Financial Learning Portfolio, and apply for an IRD number.
- What identification would they choose to provide?
- What is the purpose of asking for
 - several different addresses
 - two different telephone numbers
 - partner IRD number
 - birth date?
- An IRD number has eight digits. Where could it be stored to keep it safe?

6.4(b) Earning an income

- What is classed as income for taxation purposes?
- What is a Personal Tax Summary? Who will automatically receive one from IRD? When should you request one from IRD if you don't automatically get one?

6.4(c) **The Tax Code**

- Tax codes ensure that the employer deducts tax at the correct rate.
- What are the tax code options on the IR 330?
- What else should you supply your employer with? (a bank account number)

6.4(d) **The IRD monitoring process**

- The employer must complete a return of the total gross earnings and employee deductions for IRD each month.
- How could IRD use this information?
- Where else might IRD gain information to cross check information on an individual's return?

Monitoring progress and assessment

- Work out the tax codes for the people in the case studies in the Personal Financial Learning Portfolio.

Debriefing — Reflective learning

Consider

- Who pays income tax?
- Once you have an IRD number, when would you need to supply it, to whom and
- why?
- What would happen if a person provided an incorrect tax code or failed to provide
- one?
- What would be the employer's position if a person did not have an IRD number?

My Personal Learning Portfolio 2 Module 6 Page: 12- 13

ACTIVITY 6.4

Getting that first job and paying income tax

Who am I?

An IRD number is required if:

1. _____
2. _____
3. _____
4. _____
5. _____

In order to get an IRD number I need identification. The form of identification I would provide:

IRD ask for several items of personal information. Why do they ask for:

Information	Reason
Several different addresses	
Two different phone numbers	
Partner's IRD number	
Birth date	

An appropriate place to store an IRD number is _____

Earning an income

For income tax purposes, what is classed as income?

A personal tax summary is	
IRD will automatically send a personal tax summary to	
Who should request a personal tax summary	

Tax codes

A tax code is a code that tells the employer which tax rate to use to take tax from your pay. Tax codes are listed on the back of the IR 330. Select some tax codes and explain their use.

New Zealand tax codes	Someone would use this code if
M	
S	
SH	
M SL	
S SL	
SH SL	
ML	
ST SL	

My current tax code would be _____

An employee also needs to supply the employer with _____

Tax code case studies

Nick is a school student. He works two shifts a week and his school holidays at the local petrol station. He earns \$8.50 an hour.	Tax code =
Vicki has left school and is a trainee at an inner city hotel. She works part-time while attending some courses. She earns \$180 a week.	Tax code =
Shannon has just completed a polytechnic course in journalism. She has a student loan of \$8,500 and earns \$365 a week from her job at a newspaper.	Tax code =
Tyson is saving for better "wheels". He works as a mechanic full-time and part-time at the local cinema during the weekend.	Full time tax code = Part-time tax code =

IRD monitoring process

An employer supplies IRD with the correct information about an employee' total gross and employee deductions. This is electronically filed with the employer monthly schedules.

What other places/institutions/government departments could IRD access, enabling them to cross check information?



Who would you expect to have access to your IRD number and why?

The consequences of providing an incorrect tax code are

What would be the employer's position if a person did not have an IRD number?

Additional lessons:

Financial Literacy Programme: Module 6

ACTIVITY 6.7

- A lifecycle approach to taxation
- My Personal Learning Portfolio 2 Module 6 Page: 22-23

ACTIVITY 6.10

- Identifying the impact of marginal tax rates
- My Personal Learning Portfolio 2 Module 6 Page: 26-27

Sample Exam question:

2003 Exam Section 5 – Taxation and Student Loans Question: 6

6. If Lui gets a part time job, he will require an IRD number. What form of identification is accepted by IRD? (1 mark)

Financial Literacy Programme: Module 5

ACTIVITY 5.6

Funding tertiary training and education.

“If you think education is expensive, try ignorance.”

Derek Bok, Harvard University President.

Research/classroom activity

Suggested time: 1 period

Resources: Sheets: Value of Education to Individuals, Trends
Tertiary training course fee schedules - Careers Room
or the tertiary institution websites/calendars may have
this information available
TERTIARY FUNDING
SL5 booklet “How to get a Student Loan and how to
pay one back”- a 3 part booklet supplied by
Department of Work and Income NZ and the Inland
Revenue Department
Web sites: www.winz.govt.nz and www.ird.govt.nz
Loan information quiz (Work and Income NZ)

The aim of these activities is to assist the students’ understanding of the financial value of further education and to encourage students to explore several sources of funding for tertiary education and training. They will also be alerted to the consequences of taking out a loan and the repayment situation.

- Students could be alerted to some general statements about:
 - the value of education to the individual,
 - trends in numbers of tertiary students and
 - current government policy about tertiary education cost.
- Students research the costs associated with at least one course they are interested in. These should include:
 - **compulsory fees:**
 - tuition fee
 - levies for student services
 - any tertiary institution’s administration charges
 - student association fees
 - **course-related costs:**
 - investigate the amount and what it covers
 - cover items such as equipment, textbooks, field trips.
- Other costs involved:
 - **Compulsory Student Loan Administration fee**

- **Living costs**, maximum at \$150 a week, for the number of weeks of your course. Full time courses are usually 37 weeks long.

Calculation of funding needs

- Students fill in the form TERTIARY FUNDING, calculating how much they may want/need to fund.
- As a rough calculation, (assuming no changes to government contribution, fee rises etc) the amount for the total length of study can be worked out.
- The budget planner in the Student Loan booklet (SL5) can assist students to determine if the total expenses for the year can be covered by the amount of the estimated income and the true amount of the loan could be adjusted on this basis.

Monitoring progress and assessment

- Students have their calculations of the budget planner and the funding requirements checked by a classmate.
- Try out the Loan Information Quiz from Work and Income New Zealand.
Please note that some of the data referring to thresholds and interest rates, etc need constantly updating as they change from year to year.

True/False Loan Information Quiz

- 1 The administration fee will not incur interest
- 2 Once a student begins work they may choose to delay paying off their loan for as long as they like.
- 3 A student loan will be cancelled after five years if you go overseas.
- 4 If a student is under 18 they need to have their contract signed by their parent in ALL instances.
- 5 If a parent signs the contract it means they are guaranteeing the student loan.
- 6 LEA stands for Loan Entitlement Advice.
- 7 A loan contract is a formal agreement between the student and the Crown.
- 8 A student may cancel their loan contract within seven days of the date of the LEA being issued if they change their minds.
- 9 Withdrawing from a course of study does not effect your loan entitlement.
- 10 Cancelling a loan does not cancel a student's enrolment.
- 11 Student Services will let you know what documentation you need to apply for a loan.
- 12 Loan Payment Statements are issued each month.
- 13 You can choose to pay some of your Compulsory fees with your own money.
- 14 Compulsory fees are direct credited into the student's bank account for them to pass on to the institution.
- 15 Interest is charged on a daily basis.
- 16 The interest rate from 1 April 1999 is 7%.
- 17 The amount of living costs you can borrow reduces by the after-tax amount of Student Allowance you receive.
- 18 If you are receiving a scholarship you are not entitled for a Student Loan.
- 19 You need to apply to IRD for an Interest Write Off at the end of the financial year.
- 20 The repayment threshold for a Student Loan is \$14,768.

