



Module 2

Session 3



Financial Planning

Lesson summary

Adult life brings many opportunities but keeping track of your finances can be a challenge. This lesson helps to build an understanding of financial planning and the importance of protecting your budget.



Learning Objectives

To be able to talk about our finances at each life stage.

To be able to understand the importance of protection as part of the financial planning wheel.

To be able to talk about common types of protection and what impacts their cost.

Lesson preparation

1. HSBC UK PowerPoint slides to facilitate lesson: Module 2 Session 4 Financial Planning and Budgeting
2. HSBC UK Worksheet M2W4 used to complete activity
3. HSBC UK Stretch Challenge M2SC4 to further embed learning as homework or a class project
4. Prepare examples to share when you have had to plan your financial goals
5. Prepare examples where you have had to spend time researching the best protection policy (Home, Life, Car insurance etc)

Slide 2: Life Stages – 7 mins

Life is a rollercoaster but good financial planning can help us enjoy those highs and plan for the lows. This session is going to help us explore building a financial plan.



Group work: Assign each table group one of the four life stages on the slide. Allow 5 mins discussion and capture answers on worksheet M2W4.

Ask the group to think about:

- Where does your money come from?
- What financial goals could you have?
- What challenges could you face?

Slide 3: Life Stages – 10 mins



Group work: Ask the group to consider the different life stages we experience. Use the on-screen prompts to build out the discussions on each life stage as needed.

- Where does our money come from?
- What financial goals could we have?
- What financial challenges could we face?



Group work: Complete the remaining section of the worksheet based on contributions from other groups and the classroom discussion.

Possible answers:

(CLICK to reveal answers) Birth to Early Years 0-16

- **Where does our money come from?** Pocket money; part time job; selling things
- **What financial goals could we have?** Save up enough money for first milestones - first car; first holiday; living independently

Lesson commentary

- **What challenges could we face?** Still reliant on parental financial support; limited income (but lots of goals)

(CLICK to reveal answers) Young Adult 16-30

- Where does our money come from? Part time work; student finance; full time work
- What financial goals could we have? Moving away to study or work; buying a car; buying a house; starting a family; travelling
- What challenges could we face? Less financial support from parents/guardians starts; how to budget; earning enough to meet my goals; being able to pay my bills

(CLICK to reveal answers) Middle Age 30-65

- Where does our money come from? Full time work; investments
- What financial goals could we have? We still might be trying to achieve some of our young adult goals: Expanding our family and planning for their future; looking to move into a bigger house etc. It's also important to focus on retirement planning so we are in a good position for this final life stage
- What challenges could we face? Change of circumstances (divorce/widowed); change in health might make us change our priorities (work less, spend more); debt as we try to navigate different challenges

(CLICK to reveal answers) Retirement 65+

- Where does our money come from? Pension or some part time work if needed due to the cost of living
- What financial goals could we have? Enjoying your retirement lifestyle (earning less but more time for leisure); downsizing the family home as children have moved out (the money could be used to provide an income, or you may talk to financial planners about how to pass it on to the next generation)
- What challenges could we face? More vulnerable to fraudsters; change in health resulting in carers or care home costs; mental capacity / dementia – we may struggle to keep up to date with the running of our day-to-day finances and need a family member to support by becoming a power of attorney. Power of Attorney can be obtained for both financial and health related concerns enabling someone to act on our behalf should this be needed

Slide 4: What is a financial plan? – 3 mins



Ask the group: What do you think is in a financial plan? Why do people use them?

Discuss with young people before clicking through financial planning wheel.

Financial planning can simply be defined as the process of meeting your financial goals by managing your finances effectively. Take a closer look at each step of our Financial Planning wheel.

CLICK to reveal answers:

- 1. Budgeting:** Our budget is our financial road map. By reviewing your bank statements and bills, you can get a great picture of your current financial situation and you can identify areas that may need further attention. If you do identify an issue, you may wish to review your outgoings and save money.
- 2. Protection:** Policies like life insurance or critical illness protect your ability to meet your outgoings in your budget when you are ill or the unexpected happens. This is not just your finances but that of any partner and young children too. These protection policies build your financial resilience and let you focus on dealing with the illness.
- 3. Savings & Investment:** Using your budget surplus to meet your life goals. There are different options for your short-, medium- and long-term savings which we will discuss in a later session. You should also consider building your emergency fund to support those protection policies.
- 4. Retirement income:** Planning to provide an income during your retirement. Think about what your retirement lifestyle looks like. The more you plan to spend the more you will need to save. Also, the more you save the earlier you could take retirement. A single person only receives a pension of £221.20 a week. This may not be enough to live on so planning at an early age means you can take advantage of compound interest to grow that pension pot across your working life. This will be covered in a later session.
It's important to ask employers about their pension schemes as they will make contributions to your pension on your behalf – but the amount can vary considerably.
You may seek financial advice from an independent financial advisor to check that your pensions are performing as expected.

- 5. Legacy:** This is consideration of how you pass on your estate onto children, grandchildren and other people who have been significant to you at the end of your life taking into account costs of inheritance tax.

Estate planning begins with will writing, you set out your wishes for how your assets are to be split.

For the rest of this session, we are going to be focusing on protection policies and how they help us when our financial plans get disrupted by everyday life.

Slide 5: What could disrupt financial plans? – 3 mins



Group work: What could disrupt your financial plan? Discuss in groups and then feedback what life events could impact financial planning.

Once discussed, click through the graphic to show some moments that could impact our money management:

CLICK to reveal answers:

Starting a family : Will our budget cover all the new costs?

End of relationships : Can you pay the rent on your own? Any joint debts etc?

CLICK to reveal answers:

New job : More income – what can we now achieve quicker?

Redundancy : No income – how will we pay the bills?

CLICK to reveal answers:

Change in health : How long does my sick pay last? Will I have enough money to pay the bills?

Interest rate change : Higher interest means mortgages and debts are now more expensive each month – can our budget adapt?

CLICK to reveal answers:

Unexpected expenses : Do we have an emergency fund or will we need to borrow the money?

Inheritance : Unexpected windfall – how can we use that money wisely to improve our financial picture – pay off mortgage/retire earlier?

Slide 6: Protection – 3 mins

Thinking about bad things happening is not nice for anyone but protecting against them is a way of softening the financial impact.

We protect our house so it can be repaired if something goes wrong, protect our pets for worst case scenarios, our mobile phones, our boilers, and our holidays, all for different reasons.

But what would happen if your income stopped? Could you afford to run the car? Could you afford to live in the house? If you were no longer around, providing that income, could your family still live in the same house, live the same lifestyle, enjoy the same things? This is the power of protection.



Group work: What types of protection policies have you heard about? Ask the class to discuss in groups and then feedback to class. We will deep dive into the answers in the coming slides.

Slide 7: Life and illness – 5 mins

Most protection policies protect our ability to earn money and pay for those essentials in our budget.

LIFE ASSURANCE

It will cover you from the day you take it out until the day you die as this is assured to happen.

The policy covers you and the sum paid out upon your death will go to a nominated person. There are usually no rules on how this money is then used after.

Lesson commentary

Unfortunately, the older we are the more likely we are to claim on a life assurance policy sooner, therefore it can be more expensive taking out a policy in later life compared to taking one when younger.

There is a chance if you live a long time after taking the policy that you pay in more than the final sum pays out.

LIFE INSURANCE

Life insurance is slightly different as this is often tied to a financial commitment, most commonly a mortgage, and is not something that will necessarily ever be needed to pay out.

For example, a 'decreasing term' policy will often be taken at the point of taking a mortgage. The aim of these policies is to clear a mortgage upon your death, allowing your family to stay in the house and be able to pay off the debt.

Often these policies will be taken out in joint names for couples to be equally protected should anything bad happen

You can choose to sign for a "level term" policy where the pay out would stay level throughout the life of the mortgage and you choose how to spend any excess money.

INCOME PROTECTION

Income protection insurance pays you a regular income if you can't work because of sickness or disability and continues until you return to paid work or you retire.

The amount of income you are allowed to claim may not replace the exact amount of money you were earning before you had to stop work. As an approximation you can expect to receive about a half to two-thirds of your earnings.

Income protection policies don't always cover every type of illness.

Not all policies are the same and often it can be worth paying slightly more for extra peace of mind.

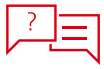
CRITICAL ILLNESS

Critical illness insurance provides you with a lump sum payment if you are diagnosed with one of the specified illnesses, disabilities, or surgical procedures.

The kinds of illnesses that are covered are usually long-term and very serious conditions such as a heart attack or stroke etc.

Lesson commentary

If being ill has affected you financially, it can be helpful to have some help towards your expenses, such as paying for private medical treatment, covering your mortgage or making adjustments to your home. You have the choice in how you use the money to help you through such a difficult time.



Ask the group: What do you think impacts the costs of these protection policies?

CLICK to reveal answers:

Age

Job

Current health

Poor lifestyle

Dangerous hobbies

Amount or length of cover required

Slide 8: Home insurance – 10 mins

Now that our ability to earn money is protected, we can look to protect our major assets. The first is our home.

The first part of home insurance is buildings insurance. This is mandatory if you own your home. If you rent, then this would be paid by the owner of the property that you are renting from. This policy will cover the cost to repair or rebuild your home should something happen.

The second part of home insurance is contents insurance. This is to repair or replace the contents of your home. Imagine if you took the roof off your home and tipped it upside down. Everything that falls out would be the “contents”



Introduce the second part of worksheet M2W4: What can you identify in the example house that can be protected by insurance? List them under either buildings insurance or contents insurance as appropriate.

Young people to share their ideas then click to reveal answers.



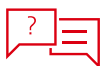
Ask the group: What do you think impacts the cost of our home insurance?

- **Postcode** – price impacted by local crime statistics
 - **Occupied during the day** – if someone is at home it is less likely that the house will be broken into and therefore less of a risk
 - **Type of property** – flats vs houses have different risks to consider
 - **Is the roof flat** – flat roofs are at higher risk of damage in wet or stormy weather
 - **Previous claims** – frequent claims could lead to an increase in premiums when you renew
 - **Natural environment** – for example trees and rivers in close proximity to the property
 - **Security measures** – types of door lock, maintained burglar alarm, locked windows
 - **Value of house & contents** – the more you need to cover the more expensive it will be
-

Slide 9: Car insurance case study – 5 mins

The second major asset that people will need to protect is their car. All motorists are required, by law, to insure their cars. Your car insurance is required by law to provide financial protection in the event of an incident causing damage or injury to another person, vehicle, property or animal.

This means it is protecting you from having to pay for damages created by your car. Many people opt for more comprehensive insurance to cover their own car and injuries too in the event of an accident but you have to pay more for this level of service.

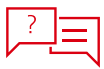


Ask the group: What can affect the cost of Car Insurance?

- **Age:** Young first-time drivers will face a higher cost compared to older experienced drivers. Although when you are much older, car insurance can increase as you are deemed an increased risk.
- **Engine size:** Generally the higher the engine size the higher the risk you are seen to be because drivers of higher powered cars generally drive further and faster.
- **Location/postcode:** If you live in an area deemed to have high crime that can increase your premium. Typically living in a town or city centre.

Lesson commentary

- **Where your car is kept:** Insurers will offer you a better rate if your car is kept safely on a drive or in a garage rather than on a road where it could get damaged by a passing car or targeted by criminals.
- **Points on a licence:** If you already have a track record of speeding and dangerous driving this will make insurers more wary of you.
- **Black box:** This is an onboard monitoring system which can contribute to a driving score that the insurer can review. You can further reduce costs by setting an evening curfew when you are not allowed to drive. This decreases the risk of an accident in the dark etc.
- **Payment frequency:** Some insurers provide a discount if you can afford to pay your insurance annually instead of monthly.
- **Automatic Renewal:** Shop around for the best quote each year to check that you are getting the best policy for your circumstances. An extra year of driving without making a claim could mean you can get a cheaper quote.

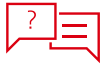


Ask the group: What other considerations are there to think about when planning your finances for a car

CLICK to reveal answers:

- Buying your car – different prices for
 - Petrol/Diesel/Electric models
 - Automatic vs manual models
- Economical – how much will it cost you to run the car – (Filling up the tank with petrol or charging the battery)
- Monthly breakdown cover
- A more expensive car is going to be more expensive to repair.
- The older the car or higher mileage the car the more likely it is to need maintenance.

Slide 10: Car insurance – 5 mins



Ask the group: Does anyone know any of the different types of car insurance?

CLICK to reveal answers:

Third Party: The minimum legal requirement for UK motorists. It covers liability and injury to others and damage to third party property.

Third party, fire and theft: Also includes theft of your vehicle and damage to your vehicle during theft or fire only.

Fully Comprehensive: As well as third party, fire and theft, this also covers medical expenses, accidental damage, windscreen coverage and loss/damage to your own vehicle.

Legal Cover: Includes paying for legal services if needed after an accident.

When buying car insurance you need to think about the level of cover you want and then find quotes from different providers to get the best deal for you.

CLICK to reveal: In 2024, Young people aged 17-19 will pay on average £1,268.54 for a comprehensive policy.*



Ask the group: What can young people do to try and reduce the cost of car insurance?

CLICK to reveal answers:

Black Box: This monitors your driving and helps to build up a “Driver score” with your provider. This can then help reduce your premiums. There may be a rule that you need to follow to build a good score and behaviours to avoid.

Comparison websites: 51% of people can save money on their car insurance by shopping around.** Use comparison websites to find the best deals. Make sure you are answering all the questions accurately.

Build a no claims bonus: Each year that you complete without claiming on your insurance builds your no claims bonus. The maximum bonus you can build is for five

Lesson commentary

years and according Confused.com this could on average reduce your insurance price 62% in comparison to cost of your first year of driving.***

Advanced driving course: These are designed to make you safer and more confident drivers. You can reduce your car insurance premium by 15% by completing an advanced driving course.*** This course can be expensive so you would need to weigh the cost vs what you could save on your insurance.

CLICK to reveal:

- **In 2024, Young people aged 17-19 will pay on average £1,268.54 for a comprehensive policy.***
- **51% of people can save money on their car insurance by shopping around.****
- **You can reduce your car insurance premium by 62% by building up your no claims bonus.*****
- **You can reduce your car insurance premium by 15% by completing advance driving course.*****

*Independent.co.uk Advisor (Feb 2024)

**Consumer Intelligence (August 2023)

***Confused.com (August 2023) In comparison to a new driver

What challenges could we face?

1. Reduced income – does my pension cover all my outgoings?
2. Carers and care home costs – sell home or use assets to pay for ongoing care?
3. Mental capacity/dementia – may need a family member to act as power of attorney.

Home Insurance

Examine our example house.


In the event of something happening, such as a fire, flood or burglary, we would need to replace our belongings or make repairs to our property.

To help us fund the repairs or replacements it's important to make sure that our home insurance covers everything we need. This means that the insurers need information about the home we live in, it's size and how it is built as well as all of the valuable contents that we own.

Examine our example house.

What can you identify in the house that we need to protect?

List the items under either buildings or contents insurance in the boxes provided.



Worksheet MZW4

Buildings Insurance

Cover the cost to repair your home after loss or damage:

Contents Insurance

Cover for the loss of or damage to the contents in your home:

In the event of something happening, such as a fire, flood or burglary, we would need to replace our belongings or make repairs to our property.

To help us fund the repairs or replacements it's important to make sure that our home insurance covers everything we need. This means that the insurers need information about the home we live in, it's size and how it is built as well as all of the valuable contents that we own.

Examine our example house.

What can you identify in the house that we need to protect?

Lesson commentary

List the items under either buildings or contents insurance in the boxes provided.

Buildings Insurance

- Roof
- Ceilings
- Walls
- Floors
- Windows
- Permanent Garden Structures
- Fence

Contents Insurance

- TV
- Sofa*
- Fridge
- Bike**
- Clothes
- Furniture
- Personal items***

* Accidental cover may be required for spillages

** Separate bike cover may be required

*** Additional cover needed for more valuable items/gadgets

Slide 13: Stretch Challenge

This can be used as you see fit for a homework, group project or additional lesson during school hours. Stretch Challenge worksheet (M2SC4) provided to record answers.

Stretch Worksheet M2SC4

Taking the time to build your financial plan is an important skill to help you prioritise your next steps.

You are 42% more likely to achieve your goals if they are written down.


Write a letter to your 30-year-old self and share your personal/financial goals including the steps you could take to achieve them.

Writing this letter will empower you to build self-awareness of your goals, own your next steps and then monitor your progress.

Think about your career, your living situation, your savings goals, your budget and how you keep your financial plan protected.

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Stretch Challenge: Financial Plan


Taking the time to build your financial plan is an important skill to help you prioritise your next steps. You are 42% more likely to achieve your goals if they are written down.


Write a letter to your 30-year-old self and share your personal/financial goals and the steps you could take to achieve them. Writing this letter will empower you to build self-awareness of your goals, own your next steps and then monitor your progress.


In your letter include your plans for:



Your career


Your living situation



Your savings goals


Your budget


How you keep your financial plan protected from disruptions.



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Essex Year of NUMBERS

 **HSBC UK**

Name: _____

Letter to your 30-year-old self:




Stretch Challenge M2SC4

Worksheet M2W4

Print the required amount of worksheets. Young people to use the M2W4 worksheet to record group discussion on life stages. Each table to discuss a life stage and then feedback to other table to complete remaining sections.

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Life Stages

Questions	Birth to early age (0-16)	Young Adult (16-30)	Middle Age (30-65)	Old age (65+)
Where does our money come from?				
What financial goals could we have?				
What financial challenges could we face?				

Essex Year of
DIVERSITY

 HSBC UK

Name:

Birth to Early Years 0-16

Where does our money come from?

- Pocket money
- Part time job

What financial goals could we have?

- First milestones (car, holiday)
- Gaining financial independence

What challenges could we face?

- Too many goals for current income
- Still reliant on parental support

Young Adult 16-30

Where does our money come from?

- Part time work
- Student finance
- Full time work

What financial goals could we have?

- Moving away (study/work)
- Buying own house
- Starting own family
- Starting own business

What challenges could we face?

- Financial support from parents may decrease.
- Do I have the skills to manage my money?
- Do I earn enough to pay for my need and wants?

Middle Age 30-65

Where does our money come from?

- Full time work
- Investments

What financial goals could we have?

- Still working towards previous goals
- Paying off the mortgage
- Childrens education
- Expanding the business
- Planning for retirement

Lesson commentary

What challenges could we face?

- Change of circumstance (divorced/widowed)
- Change in health and work life balance.- may work less to care for a relative.
- Building up debt during challenging times

Retirement 65+

Where does our money come from?

- Pensions
- Part time work – due to cost of living

What financial goals could we have?

- Enjoying retirement
- Travelling more
- Downsizing the home
- Estate planning