



Module 5

Session 11



Managing the cost of living

Lesson summary

The rise in the cost-of-living has led many people to reconsider their financial position and take steps to enhance their resilience. This session builds on earlier learning around budgeting skills, spending habits and who to speak to if you need support.



Learning Objectives

- To be able to talk about the impact of a financial crisis
- To continue discussions around budgeting best practises
- To be able to take steps to build healthy financial practises in the future

Lesson preparation

1. HSBC UK PowerPoint slides to facilitate lesson: Module 5 Session 11 – Managing the Cost of Living
2. HSBC UK Worksheet M5W11 used to complete activity
3. HSBC UK Stretch Challenge M5SC11 to further embed learning as homework or a class project
4. Prepare examples to share when you have had to change your financial habits because of a financial difficulty

Slide 2: Changes in economic activity – 5 mins

With the current rise in cost of living, 71% of UK adults are concerned about not being able to maintain their standard of living. Financial challenges like these disrupt the status quo and can cause damage to our financial and mental health.



Group work: What do you think the three phases shown are? What do you think each phase means, how could it impact you, can you think of any examples?

Feedback to class and share before revealing answers on slide.

CLICK to reveal answer:

Inflation

- The rate at which the cost of everyday goods and services increases
- If inflation is too high, our salaries are not able to keep up with the cost of living
- Interest rates are raised to stop people spending money and to slow economic demand which reduces the rate of inflation
- The recent cost of living crisis is an example of high inflation

CLICK to reveal answer:

Recession

- If economic demand is slowed too much it can turn into a recession
- Recession is when our economic activity is in a downturn (2 months of negative growth)
- As economic demand falls companies may need fewer workers and make cuts
- People losing their jobs then must review their own spending and will need to spend less
- This creates further cuts to economic demand and the cycle repeats
- The UK was last in recession as recently as 2023 in the second half of the year (Jul-Dec 2023)

CLICK to reveal answer:

Depression

- Depression is an extreme recession that lasts 3+ years or when our economic activity drops by at least 10% per year
 - The Great Depression (1929-1941) created mass unemployment with many suffering from poverty and hunger
 - Modern governments and banks would be expected to intervene to prevent this happening again
 - One tool at their disposal is to print more money but if this is overused it can start to build inflation which takes us back to step 1
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Slide 3: How has the increase in Cost of Living affected our finances? – 10 mins

Worksheet M5W11



Group work: Get into groups and discuss the current rise in the cost of living. There are 6 topics so you may want to divide them between the groups:

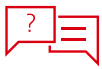
- Household bills
- Food
- Mortgage APR
- Credit card APR
- Train tickets
- Savings rate AER

They can record their thoughts on the worksheet on how the increase in cost of living has affected each outgoing and what people have done to cope with the change. Each group should also make an estimation on how much they think the average cost has increased by. This will then be followed up in the stretch challenge.

Feedback to rest of class and allow time for young people to make an estimation for each category if not already completed.

Slide 4: Revisiting your budget: Non-essentials – 5 mins

During times of financial uncertainty, it is important to revisit our budget to understand our financial health and make changes when appropriate.



Ask the group: Thinking back to the budgeting modules, what tips would you give to someone who is worried about their spending on non-essentials?

CLICK to reveal answers

- 1. Be realistic** about what you need to spend but allow yourself money for wants too.
 - a. Set yourself achievable goals and give yourself some leeway. Be realistic about what you think you might be able to save and stick to it
 - b. And don't forget to set yourself a budget for those 'wants' - then you'll have money set aside for guilt-free spending and you'll be less likely to raid your savings
- 2. Automate your finances:**
 - a. It's often a good idea to set up your bills via direct debit as close to pay day as possible so you know exactly what you have left for non-essential spends
 - b. For your savings keep it regular with a standing order that goes out at the same time each month then you'll know how much you have got left to spend each month and you'll know that you are one step closer to that European train pass
- 3. Picture the alternative / visualise your goals**
 - a. For example 'If I'm tempted to buy a new jacket I don't really need, I'll remind myself that I'm saving money for my tour of Europe and stop browsing'
 - b. For example, 'Savings account' is not the most inspiring name. What's it actually for? If it's to travel Europe, try labelling your savings account 'European Tour'
 - c. If your goal is to clear your debts, set yourself milestones when you can celebrate the progress you've made. For example, once you've cleared 30% you could head out for a nice (but not too expensive) dinner
- 4. Some apps will allow you to set an alert** for your spending in different areas
 - a. Receive a notification if you're approaching or have gone over your limit
 - b. Keep track of your spending in each budget category to enable you to make informed decisions

Lesson commentary

CLICK to reveal some sample outgoings



Ask the group: Looking at the list of non-essentials:

1. What would you find hardest to cut back spending on?
2. Would any of these have cancellation/hidden fees you would need to consider?
3. How could you still enjoy these whilst trying to minimise costs?

Essentials / Needs

- Rent
- Food
- Utilities
- Travel
- Insurance

Non-essentials

- Holidays
- TV streaming
- Gaming subscriptions
- Going out
- Takeaways

Slide 5: Revisiting your budget: Essential bills – 5 mins

We've talked about setting up alerts but let's look at bills in a bit more detail as they can be stressful!

If you're thinking of moving out or have already this is one thing to really be on top of.

It can be tempting to ignore bills when you know it can be a struggle to pay them. But the last thing you want is for them to start piling up. Missing bills can also affect your credit score and could mean you end up paying even more.



Ask the group: Thinking back to our work on budgeting, what tips would you give to someone who is worried about their spending on essentials?

CLICK to reveal answers

1. **Choose the best way to pay:** It's worth thinking about which way to pay bills suits you best. You could save money, or give yourself more control over when you pay, depending on which method you choose.

Lesson commentary

- **Automatic:** Direct Debit is often the easiest way. It automates your payments –so you don't have to think about them each month – and ensures your bills are paid on time. It can also be cheaper as some companies offer a discount if you pay by Direct Debit.
- **Manual:** Alternatively, if you're registered for online, mobile or phone banking, you can use any of these to make payments when your bills are due. That way, you're in control of exactly when you make a payment and how much. The disadvantage is that it's up to you to remember when your bills are due.

2. Make sure you pay your bills on time: Use direct debits so that you won't forget. If you can't afford to pay a bill let the company know as soon as possible to see what support is available. Ignoring your bills in times of difficulty will have an impact on your credit score and could affect you for 6 years.

- Remember also to make sure you've got enough in your account to cover your bills. That way, you'll avoid any overdraft charges.
- Check all your bills carefully. That's the best way to spot mistakes and keep an eye on whether any bills are going up, or down.
- Try choosing one day a month and setting a reminder to check all your bills on that day.

3. Check if the bills can be paid either once a year, or in monthly instalments:

This usually applies to things like car, home, insurance, or streaming services. Paying the bill in one annual payment may be cheaper if you have the money available to do this. Investigate to see if it is worth the saving.

- **Paying your annual premium could be the cheapest for car insurance** but it may be hard to find the money up front – not surprising when you consider the average cost of car insurance is now £755.11 (March 2020 Premium Drivers Report by Compare the Market)
- **Paying in monthly instalments makes it easier to spread the cost over the whole year.** But research suggests drivers opting for monthly premiums are paying an extra £55.36 on average compared to those paying annually (Go Compare January 2020).
- It's worth looking to see if there's any way you can pay the annual premium in full. But check first, because not all insurance policies charge interest on the monthly payments.

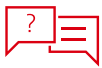
4. Look for cheaper options: Use comparison websites to find the best provider each time your contract expires especially for insurance policies and utilities contracts.

- There are so many providers it can be daunting to choose which one is best for you. But there are comparison websites that you can use to you find the best deal

Lesson commentary

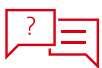
- Don't let your insurance bills automatically renew each year – check the premium being offered and use comparison sites to make sure that you are not paying more than you need to
- And if utilities and subscription services are still hard to afford, you could look at ways of cutting back your usage or even using the product at different times of day (sometimes utilities are cheaper at off peak times between 10pm and 8am)

CLICK to reveal the list of outgoings again and follow up questions around essentials:



Ask the group: How could you check you are getting good value for money for the essentials?

Comparison websites, comparing quotes, changing supermarkets, using discount codes, changing usage



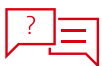
Ask the group: What would be the consequence of not being able to pay for these items?

Homelessness, illness, unable to get to work, damage to credit score, stress, damage to mental health, reduced financial resilience (paying more to manage debts and less able to save).

Slide 6: How can we minimise food costs? – 5 mins

According to the Office for National Statistics, food prices increased by 27% between 2021 and 2023*

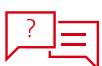
CLICK to reveal first discussion topic



Ask the group: What steps do you think we could take to minimise our food costs? Young people to discuss and feedback to class.

Setting a budget & Planning meals: Visiting the supermarket with a plan means you are less likely to overspend. Set a maximum budget for your monthly or weekly shop with clear plans for meals you are going to make. Think about visiting a different supermarket to help you stretch that budget further.

CLICK to reveal next discussion topic



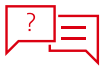
Ask the group: What steps do you think we could take to avoid buying things that we don't need / to avoid wasting food?

Lesson commentary

Needs and wants & Buying responsibly: Avoid the impulse purchases - is this something I really need or is it just a want? Can I find a cheaper version of it elsewhere?

Also buy responsibly, even when things are on offer (eg buy one get one free). If you can't use the free item and end up throwing food away because it has passed a sell by date then that is poor value for money and bad for the environment. Can you think of ways to use that food in a different dinner, snack, or desert? For example, stale bread in a bread and butter pudding, fruit in a fruit crumble, old vegetables in a soup?

CLICK to reveal next discussion topic



Ask the group: How do you think planning ahead might help us to reduce costs and seek out the best deals?

Planning ahead & Best deals: Plan for times of greater expense like summer holidays or Christmas. By buying things ahead of the festive season you are more likely to get things when they are on offer and spend less too.

Also consider if your supermarket has a loyalty scheme that you can take advantage of to build up points to redeem them against future purchases.

Can you bulk buy items when they are on special offer? Can you bulk cook a meal and freeze it for use for in the month ahead or even meal prep for the week ahead if you don't mind eating the same thing.

Cost of living insights - Office for National Statistics (ons.gov.uk)

Slide 7: Making daily savings - 10 mins

It isn't just a trip to the supermarket we need to consider. Our lunch habits can become quite expensive as we may think we are getting good value but not looking at the longer-term picture.



Group work: How much would you spend if you bought your lunch from a local coffee shop instead of bringing it in from home across a working week? Young people to work out the spending totals based on the scenarios.

(Worksheet M5W11 Part Two)

Sandwich, crisps and a drink: £4

Chocolate / dessert: £1

Lesson commentary

CLICK to reveal answers.

Daily spend: £5

Weekly spend: £25

Monthly spend (21 working days): £105

Yearly spend (261 working days): £1,305

CLICK to reveal the home prepared option:

Sandwich: 50p

Crisps: 20p

Chocolate bar: 30p



Group work: Preparing items at home can be a lot cheaper. Calculate how much you will spend daily, monthly and yearly when prepping your meals at home.

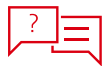
CLICK to reveal answers:

Daily spend: £1

Weekly spend: £5

Monthly spend (21 working days): £21

Yearly spend (261 working days): £261



Ask the group: What is the saving in prepping your meals at home? How does this make you feel? What else could you do with that money instead?

£1,044 saving could be a holiday, car insurance, cover increasing bills.



Ask the group: How do these decisions impact environment?

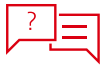
CLICK to highlight the environmental costs of out of home eating:

261 sandwich packets a year

261 drinks bottles/cans a year

261 bags to carry your lunch out in

Slide 8: Revisiting your budget: Increasing income – 3 mins



Ask the group: What could you do if you can't cut any more out of your budget?

CLICK to reveal answers:

- Government benefits are there to help people who need it. You can find out if you or your family are eligible through a tool called Entitledto
- If it is a short term cash flow problem, you could also spend some time going through items you could sell either on an auction site or a marketplace site, or even do a car boot or garage sale
- If your current employer allows it, you could ask to increase your hours, work overtime or perhaps even sell your holiday allowance
- Again if your employer allows it, you may want to take on a second job to top up your income, this could be a part time role or your own side hustle/self-employed business

CLICK to reveal extra fact:

Did you know? £7.5 -8 billion in Universal Credit and 3 billion in council tax support remains unclaimed each year.

Source: Entitled To (May 23)

Slide 9: Building health finances: Managing debts – 5 mins

Getting into debt can happen. And it's not always because someone is bad with their money. Relationship changes, an unexpected bill, factors outside of our control or an unsteady income can make it difficult to manage our finances.



Ask the group: Can you remember the two debt paying techniques we spoke about previously?

CLICK to reveal answers:

Pay off debts with higher APR

A cost-effective option is to repay the debt with the highest interest rate first as it's charging you the most to borrow the money.

Lesson commentary

List out your debts in order of interest rate going from highest to lowest. Prioritise paying the debt at the top, working your way down the list over time.

But remember, you'll still have to meet the minimum repayments on all of your debts.

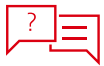
Pay off debts with a small balance.

Whilst it may not be the most cost-effective method, paying off the smallest debts first can reduce the number of debts that you need to think about.

You can then achieve some quick psychological wins in getting those small debts paid down fast.

Again, you'll still need to meet the minimum repayments on all outstanding debts.

Fortunately, there is a lot of support available if you are struggling to meet those repayments.

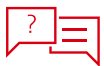


Ask the group: Who could you turn to if you were worried about debt or experiencing financial difficulty?

Debt can be very difficult to talk about, especially with those closest to you.

Thousands of people are dealing with their debt alone and have no one to talk to about it. Where possible, we recommend that you're open and honest with your loved ones about your financial situation.

Just start by telling one person in your life and that will start you on the journey to dealing with your debt.



Ask the group: What information should you collect about your debts?

Size of debt, APR, monthly payment, term of debt, who you owe the money to, if you have missed any payments etc.

Collect the information about your debts, to help in advance of speaking to anyone, so you have as much information to hand as possible.

You don't have to struggle alone. Reach out to your bank, they are there to help.

Also reach out to the lenders you owe, they may be able to offer you payment holidays, or adjust your repayment plan to help take some of the pressure off. Don't be afraid to let them know your situation.

Lesson commentary

Also, depending on your circumstances, you may be entitled to financial support - such as if you're out of work, or have dependents.

CLICK to reveal: Get the help you need.

Debt support services

Shelter: www.shelter.org.uk

Citizen's Advice: www.citizensadvice.org.uk

StepChange: www.stepchange.org

National Debtline: www.nationaldebtline.org

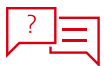
Slide 10 – 5 mins



Ask the group: Who can remind me, what is an emergency fund? Why would it be important during a financial crisis?

CLICK to reveal answers:

- An emergency fund is a pot of money you keep separate from your day to day finances.
- If there is an emergency you can use the money to make sure you can pay your bills
- This is useful for emergencies including sickness, injury, an expensive repair or you lose your job.
- Think about using your budget surplus now to build a reserve for future challenging financial situations.



Ask the group: How much on average do you think people should have in emergency funds?

CLICK to reveal the question below:

- 1 to 3 months worth of living costs
- **3 to 6 months' worth of living costs**
- 6 to 9 months' worth of living costs

Lesson commentary

CLICK to reveal answer and explain the following:

This should be enough of a cushion to keep everyday life ticking along while you get back on your feet if you are sick or lose your income. It could also give you financial breathing space to take care of unexpected big expenses, like a new gearbox or a boiler repair.

CLICK to reveal fact:

According to the Money Advice Service, a staggering 40% of working-age people have no emergency fund, with less than £100 in savings available to them at any time.

Imagine if something unexpected happened...

Think about how you might cope with the financial shock of losing your job, your hours suddenly being cut or your business going under? Your security blanket acts like an extra few pay cheques to keep you afloat, ensuring you've some money ready and waiting for when life happens.



Ask the group: What is the impact of not having an emergency fund?

Discuss answers: You could end up in debt, may be unable to pay bills, may lose house, may have to work during a period of illness etc.

Slide 11

This can be used as you see fit for a homework, group project or additional lesson during school hours. Stretch Challenge M5SC11 worksheet provided to record answers.


Stretch Worksheet M5SC11




Ask the group: Look back at the estimates you made earlier in the session around the average increase in the cost of common outgoings following the rise in the cost of living. Your challenge is to research the original and new costs of these outgoings working out the real percentage difference.

- You may want to use your own home bills by talking to your parent/guardian or you can research the UK averages online.
- Remember to work out percentage change to use the following formula.



$$\frac{\text{Difference in cost}}{\text{Original cost}} \times 100$$


Module 5
 Session 11 M5W11
 Part one




Managing bills and the cost of living

	How has the increase in cost of living affected this outgoing?	How have people tried to cope with this change?	Estimation: What % do you think the average has increase by?
Household Bills			
Food			
Mortgage APR			



 Name: _____

	How has the increase in cost of living affected this outgoing?	How have people tried to cope with this change?	Estimation: What % do you think the average has increase by?
Credit Card APR			
Train Tickets			
Savings Rate AER			



Worksheet M5W11

Out of home spending


Sandwich, crisps & drink	£4.00
Chocolate	£1.00

Home Prepared

Sandwich	50p
Crisps	20p
Chocolate bar	30p

Daily Spend	£
Weekly Spend (5 Working Days)	£
Monthly Spend (21 Working Days)	£
Yearly Spend (261 Working Days)	£

Daily Spend	£
Weekly Spend (5 Working Days)	£
Monthly Spend (21 Working Days)	£
Yearly Spend (261 Working Days)	£



Worksheet M5W11