



## LESSON PLAN

# INVESTING IN OUR FUTURES

### Financial Education Secondary Planning Framework links:

I know there are different ways to save for the long-term and for my retirement, and the key facts about contributing to and benefiting from a pension, including through National Insurance contributions **14-16**

I understand the potential consequences for later in my life if I do not make long-term financial plans when I am young, including the relationship between National Insurance contributions and the state pension **14-16**

I can create financial plans to help me meet my current and future goals, including for when I may be unable to work **16-19**

I understand the important role financial planning plays in helping me achieve my personal goals, and that starting a pension sooner rather than later could help me enjoy retirement **16-19**

### MATERIALS

- ✓ Internet
- ✓ Preparing for the Future Quiz
- ✓ Investment Types: Pros and Cons

### VOCAB

Investment  
National Insurance  
Pensions  
Minimum Wage  
Long-term planning

## ACTIVITY 1 INVESTMENTS

20  
min



This activity will start students thinking about the different investments we might make in our lifetimes and what the pros and cons are of each type of investment might be.

Start the activity by asking the class what they think is meant by 'investment'. Provide the following definition:

**An investment is the act of putting money, effort or time into something to make a profit or achieve a result.**

Ask the students to work in groups, tell them that a millionaire is looking to hire a company to manage the investment of his or her money – the millionaire has £10 million to invest.

Ask the groups to develop a proposal for the millionaire explaining how they will invest his or her money. Give each group one type of investment from the list below and ask them to explain the pros and cons of this type of investment.

What are the risks of these types of investments and how could the millionaire possibly benefit from investing his or her money in this way?

For lower level students, you can list the different types of investments on the board or you could refer to **Your Money Matters - [www.young-enterprise.org.uk/resources/your-money-matters-financial-education-textbook/](http://www.young-enterprise.org.uk/resources/your-money-matters-financial-education-textbook/)** for further information. Higher ability students could research the different types of investments online.

- **Shares**
- **Collective investments**
- **Property**
- **Gold**
- **Art and antiques**

For suggested answers, refer to the Investment Types: Pros and Cons sheet.

If you have the time, you could ask a few groups to present their proposals and as a class you could decide on which investments you think would be the most lucrative for the millionaire.



## ACTIVITY 2

# PREPARING FOR RETIREMENT

20  
min

We don't have to be millionaires to make investments, we can start investing in our futures now...

What types of investments could we start thinking about planning for? As a class make a list:

- Further education or training
- Career
- House/flat
- Retirement

### Pensions and retirement

We can make long-term savings plans to help ensure we are comfortable in the future. A pension is a long-term savings plan that will help support us once we can no longer work.

Use the Preparing for the Future Quiz to start the students thinking about pensions.

To give the students an idea of how a state pension will compare to the minimum wage, ask the students to work in groups and calculate the hourly rate of someone on the maximum state pension (£164.35 per week), and then compare this to the present minimum wage (as of April 2019). Use 40 hours per week for the calculation. Give each group a minimum wage age group and then ask the groups to share their answers with the class.

### National Minimum Wage Rates:

[www.gov.uk/national-minimum-wage-rates](http://www.gov.uk/national-minimum-wage-rates)

AGE	2019-2020
25 and Over	£8.21
21-24	£7.70
18-20	£6.15
Under 18	£4.35
Apprentice*	£3.90

Ask the students if this is more or less than they expected? How easy do they think it will be to live the lifestyle that they would like when they retire? Is a State Pension the only way to finance retirement? What other ways can the students think of?

Encourage students to consider the following options; savings, company pension, private pension, income from investments (e.g. shares, property, art, gold). For further information refer to Your Money Matters, page 91-92.

Explain the new policy of auto-enrolment for workplace pensions. If you earn over £10,000 a year and are 22 years old or over you will now be automatically enrolled in your company's pension scheme. You, as the employee will contribute a minimum of 5% of your wages and the employer will contribute a minimum of 3%.

### Example:

Ed is 23 years old and works as a Sales Assistant for a mobile phone shop.

He earns £21,000 a year. Each month he contributes £87.50 (5%) of his pay to his pension and his employer contributes £52.50 (3%).

Ed could contribute more money each month if he chose to, he currently contributes £1,050 a year of his salary to his pension.



## PLENARY DEBATE

Ask the students to imagine that their friend is considering opting out of the workplace pension, in pairs discuss what advice they would give their friend.

Would they encourage them to opt out or would they advise them to enrol? If they did opt out, what other ways could they finance their retirement?

If you have time, you could ask some of the pairs to feedback back their advice.

## EXTENSION OPPORTUNITY



You could extend and develop the learning from this lesson by further exploring the National Minimum Wage and National Living Wage using the 'World of Work' chapter in Your Money Matters.

The class could debate, 'Should we raise the state pension age?' The state pension age is the age at which you can access your pension. The state pension age for men and women is set to increase to 67 in 2028 and 68 by 2039. Split the class into half, one half will argue FOR an increase in the state age pension and the other half will argue AGAINST. This helpful article from Economics Help, outlines the arguments for and against raising the state pension age.

[www.economicshelp.org/blog/9556/labour-markets/increase-state-pension-age/](http://www.economicshelp.org/blog/9556/labour-markets/increase-state-pension-age/)

Students could also carry out online research into ethical investment funds – are there any areas or types of businesses that they would feel strongly about investing or not investing their money in?



## RESOURCE: INVESTING IN OUR FUTURES

# PROS & CONS SHEET

INVESTMENT TYPE	DEFINITION	PRO'S	CON'S
<b>Shares</b>	A share is a unit of ownership of a company that can be purchased by an investor. If you buy a share in a company then you own part of that company.	If a company performs well then any shares you have will increase in value.	If a company performs poorly then any shares you have will decrease in value. Share prices can vary considerably from day to day. This is a particularly risky form of investment.
<b>Collective investments</b>	A collective investment is where an Investment Trust ran by experts, pools together money from a number of investors to purchase a variety of shares and commodities (gold and property).	If you are not an expert in investing, then an Investment Trust can make investment decisions on your behalf. The trust is likely to invest in a variety of different areas, so if one area falls in value, this will not hopelessly impact other areas in which your money will be invested.	Collective investments can fall in value, there is still an element of risk.
<b>Property</b>	Purchasing a house, flat or a portfolio of properties.	The value of property can rise, providing a profit.	The value of property can go down. It's not easy to sell property quickly, so it's not easy to access the money in a hurry.
<b>Gold</b>	Investment in gold coins or gold bars.	It's easy to buy and sell gold.	Gold dealers usually charge a high premium. Storing gold is not easy and can be costly. The value of gold is not always easy to predict.
<b>Art and Antiques</b>	Investment in art and antiques.	Artwork and antiques can provide a good return on investment but you need to know your market and understand your product.	The value of art and antiques can fall and it can depend on the fashion of the time. You need a place to store the items.



## RESOURCE: INVESTING IN OUR FUTURES

# QUIZ - PREPARING FOR THE FUTURE

**1** What is the average age of retirement for men in the UK?

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**2** What is the average age of retirement for women in the UK?

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**3** What is National Insurance?

- a) The average cost of insurance across the UK
- b) The amount of benefits you are entitled to if you do not work
- c) The contribution every working person makes to the government to cover sickness benefits, maternity and pensions

**4** At what age do you become eligible to pay National Insurance?

- a) 16
- b) 18
- c) 21

**5** How much do you need to earn each week before you have to pay National Insurance (figures as of Feb 2019)

- a) £150
- b) £162
- c) £170

**6** In order to qualify for a State Pension, you must pay National Insurance?

True or False

**7** How old will I be before I am entitled to claim a State Pension?

- a) 65
- b) 66
- c) 67
- d) 68

**8** What is the present full amount a single person would receive (providing they have made full contributions during their working life)?

- a) £164.35 per week
- b) £202.40 per week
- c) £350.25 per week



## RESOURCE: INVESTING IN OUR FUTURES

### QUIZ - PREPARING FOR THE FUTURE ANSWERS

- 1** What is the average age of retirement for men in the UK?

**65**

- 2** What is the average age of retirement for women in the UK?

**64**

- 3** What is National Insurance?

**c) The contribution every working person makes to the government to cover sickness benefits, maternity and pensions**

- 4** At what age do you become eligible to pay National Insurance?

**a) 16**

- 5** How much do you need to earn each week before you have to pay National Insurance (figures as of Feb 2019)

**b) £162**

- 6** In order to qualify for a State Pension, you must pay National Insurance?

**True**

- 7** How old will I be before I am entitled to claim a State Pension?

**b) 66**

- 8** What is the present full amount a single person would receive (providing they have made full contributions during their working life)?

**a) £164.35 per week**