Financial Education for Year 6 Students

Me, my life and my money

Last week we looked at bartering, and how things we own can be used to “buy” things rather than using money. Kyle MacDonald managed to swap a paperclip for a house! So…

Do we need money?

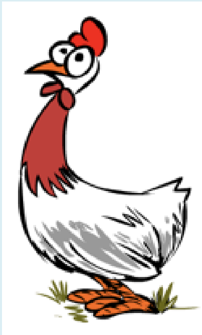
What do you think about money?

Is it a good thing or not in society?

Which would you rather pay with?

How would you pay for goods and services?

Is it easier to pay with BARTER ?



or

Is it easier to pay with coins and bank notes?

Money is just a tool in society to purchase goods and services and is neither good nor bad.

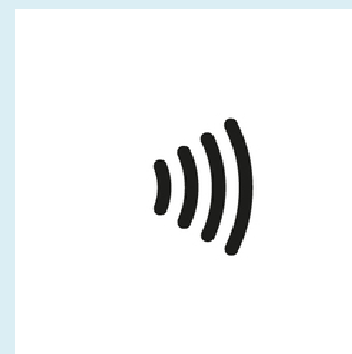
However, you can make a difference in your community by giving to charity.

Every country has some form of currency. There are lots of reasons why countries chose to have money, including:

- Money is a store of value- we always know what it is worth.
- It prevents cheating, by using standard sizes (everyone knows how big a 10p piece should be).
- It is easier for governments to collect taxes versus physical goods. It might not be fair to collect 2 chickens in tax from one person and 2 bags of flour from someone else!
- Money can be used to purchase both goods and services.
- Physical money defines a country and its history and culture.
- It is easier to keep coins and money safe, rather than things like animals!
- Money is easier to use than bartering.
- Different nations can use money to trade goods.

Will we always use money?

- We now use bank cards (credit and debit cards) as well as using physical money.
- We can also now use contactless payments to buy things, using bank cards, our phones and even our watches!
- Contactless payments surpassed cash payments for the first time in 2016- this means more "money" was spent without using money than with!
- Even without physical money, we still have a currency – the Great British Pound – so we are not bartering.



Will we always use money?

- Did you know that it costs the Royal Mint (where all money is made in

  the UK) more money to

  produce the penny coin that it

  is actually worth?

- Canada and Brazil have

  eliminated the penny for this reason.

- Some people think that we should, and will in the future, get rid of all money and only use cashless payment.

Your Tasks

1. Imagine we had never developed money… what would you use to buy these 5 things: a haircut; a bag of crisps; a new pair of trainers; a pencil case; and a new PS4 game. Remember to write your answers in full sentences.
2. Do you think we should keep the penny coin? Create a table listing the reasons to keep the penny, and reasons not to keep the penny. Make your conclusion at the end.
3. Write a short paragraph describing what you think the world would be like if, in the future, all physical bank notes and coins disappeared and all payments were contactless.

*** Extension activity ***

Imagine a world where all the money magically disappeared. Write a short story about a day in the life of someone (yourself, a child or an adult) in this world.

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Trust and Value

For a monetary system to work, the VALUE of money must stay roughly the same over a period of time (it does change a little and that's generally ok).

People also need to TRUST in the money they have. They need to trust that it is real and that it is worth what they believe it to be worth.

Imagine being given a £20 note for your birthday. The next day you spend half of it on a t-shirt. The next week, you go back to the shop to buy another similar t-shirt. You are trusting that the £10 you have left is worth the same value as it was the week before.
However, when you get to the shop, you find that you don't have anywhere near enough money. How would you feel?

- Prices do change (the price of petrol is a really easy example to see this with) and so sometimes £10 will buy more of something than at other times.
- This is often linked to demand- if lots of people want something (like toilet roll!), the price may go up because people are willing to pay more to get it. The company selling it can therefore make more money.
- If something is not wanted by buyers, the price may become cheaper to make it more appealing.
- Prices of things can also increase because the cost of the things used to make them has increased.
- Generally over longer periods of time (5-10 years), prices increase.

Despite this, the value of the money we use generally stays the same. The Bank Of England control this very carefully and change things to help keep the value of our money stable. They also make changes to make it easier or harder for people to spend or save money to help keep things running smoothly in the country.

- Originally, “bank notes” were were simply notes exchanged between merchants (people who trade things).
- These notes were sheets of paper that represented a debt to be settled in the future.
- This relied on the merchants trusting each other to pay their debt.

- Over time, bank notes evolved to be used by all of society.

The words “I promise to pay the bearer on demand the sun of…” still features on every bank note.

This means that the piece of paper we are handing over to someone means the same thing to them as it does to us. It is like an IOU that everyone can use, constantly being passed from one person to the next.

In the past, you could exchange a bank note for its value in gold bars or coins. Your ten pound note would always be worth ten pounds of gold bar- it kept its value!

Sometimes the value of a bank note does change, and things go wrong…

The Zimbabwean government printed too much money at one point and started printing bank notes of larger and larger denominations (amounts). This caused "hyper-inflation" which is when the prices of things rise by more than 50% in a month! One Zimbabwean dollar no longer had the same value. Instead, it wasn't worth much at all.

Who wants to be a trillionaire? In Zimbabwe, no-one. This note is worth almost nothing!

Venezuela also had bank notes with very little value. In August 2018, the Venezuelan Bolívar was replaced by the Bolívar Soberano.

Counterfeiting

- Counterfeiting can also cause problems to the value of money, and stop people trusting in the money they possess.

- The definition of counterfeiting is to "make an exact imitation of something valuable with the intention to deceive or defraud". With money, this means making a copy of a coin or bank note so that it looks like the original.

- When someone buys something with a counterfeit note, the money does not have any value. They are basically buying something for free! However, the seller doesn't know this.

- If you sold some old toys and were given a counterfeit note, you might not realise. However you could then go into a shop and try to buy something, and the shop might realise your money isn't real. You wouldn't be able to buy anything!

Counterfeiting

- The Bank of England and the UK Government take extensive security steps to ensure that money is safe from counterfeiting.

- Elements such as choices of colours and fonts to paper quality, holograms, watermarks and embedded metallic threads are used to keep the money in the UK safe.

- Isaac Newton was the Master of the Royal Mint in 1696. Counterfeiting was such a problem that he recalled all coins in circulation and then had them re-issued.

Preventing Counterfeiting

These are some of the features of current and recent bank notes that you might notice which make the notes more secure.

Feel of the paper

Micro lettering

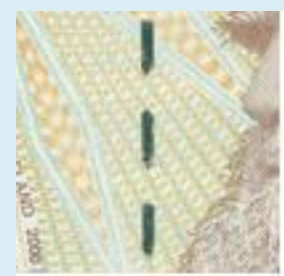
Hologram

Raised print

Watermark

Print quality

Ultra-violet



Metallic thread

Your Task

Complete the sheet for this lesson.

*** Extension activity ***

The new British £1 coin is supposedly one of the most sophisticated coins in circulation in the world. Find out about why it is so special and what makes it counterfeit-proof. Create a poster to show what you have found out.

Financial Literacy Lesson 4: Trust and Value

Complete the table below with the following information:

1. How much do you think each item costs? Have your best guess!
2. Research online or on receipts to find out how much these items actually cost.
3. Imagine we have hyper-inflation. Calculate how much each item will cost in 6 months, 12 months and 18 months' time if the price increases by 50% each time. Remember 50% is half, so you will need to halve the price and add it on to the original price. Each time, you will need to find 50% of the new price. Remember this is only if we had hyper-inflation- these will not be the prices in 18 months' time!

Item	**I think it costs**	**It actually costs**	**6 months from now**	**In 12 months from now**	**In 18 months from now**
Pint of milk					
1kg of bananas					
1kg of tomatoes					
1 tin of beans					
A 43" TV					
The cheapest iPhone SE					