Penny Explains

Key Stage 3 · Years 7 to 9 | Budgeting and spending | About 40 minutes



Budgeting and the 50/30/20 rule

Where does the money go, and how can you make it stretch?

Answers and teaching notes

For the teacher

- **Aim:** Pupils use percentages to split take-home pay into needs, wants and savings, then find and fix an overspend in a monthly budget.
- **Curriculum links:** Financial Education Planning Framework, ages 11 to 14: how to manage money (planning and budgeting, keeping track of income and spending). Maths: percentages of amounts. PSHE: economic wellbeing. Citizenship: budgeting.
- **Watch first:** the Penny Explains video "The 50/30/20 rule" at pennyexplains.com.
- **Starter:** Ask: if you were paid £100 today, how much would you spend and how much would you keep? Then meet Amara on her first pay day.
- **Support:** Give 10% of £1,600 = £160 as a starting point. Allow calculators for activities 3 and 4.
- **Stretch:** Rent takes 60% of some people's pay. How would pupils rewrite the rule for them? The rule is a guide, not a test anyone passes or fails.
- **Total:** 45 points. Suggested answers are shown in red; accept any answer that is well reasoned.

I can...

- ☐ I can tell income from expenditure.
- ☐ I can split pay into needs, wants and savings using percentages.
- ☐ I can fix a budget that overspends.

Key words

Income: money coming in.

Expenditure: money going out.

Take-home pay: your pay after tax is taken off.

Budget: a plan for your money.

1 The rule in a nutshell

6 points

Use the words in the box to finish the sentences. Use each word once.

expenditure | needs | budget | income | savings | tax | luck | wants

Amara, 22, has just started her first full-time job. Money coming in is called **income**. Money going out is called **expenditure**. The 50/30/20 rule is one simple way to plan a **budget**. About 50% of take-home pay goes on **needs**, such as rent, food and bills. About 30% goes on **wants**, such as takeaways and streaming. The last 20% goes into **savings** or paying off debt.

2 Need, want or saving?

9 points

Amara lists where her money could go. Write each one in the right box.

Food shopping · Gig tickets · Electricity bill · Bus pass for work · New video game · Emergency fund · Savings account · Takeaway pizza · Rent

Needs (50%)	Wants (30%)	Savings (20%)
Rent	Takeaway pizza	Emergency fund
Electricity bill	Gig tickets	Savings account
Food shopping	New video game	
Bus pass for work		

3 Split the pay

8 points

Amara's take-home pay is **£1,600** a month. Use the 50/30/20 rule. Show your working.



Penny says: The rule is a guide, not a law. When money is tight, needs come first.

a) How much is 50% for needs?

Working

50% is a half.
£1,600 ÷ 2 = £800

Answer: £800

b) How much is 30% for wants?

Working

10% of £1,600 = £160
30% = 3 × £160 = £480

Answer: £480

c) How much is 20% for savings?

Working

10% = £160
20% = 2 × £160 = £320
Check: £800 + £480 + £320 = £1,600

Answer: £320

d) If Amara saves that 20% every month, how much will she save in a year?

Working

£320 × 12 = £3,840
(£320 × 10 = £3,200, £320 × 2 = £640)

Answer: £3,840

4 Month one: complete it, then fix it

10 points

Here is Amara's real spending in month one. Fill in the total, then answer the questions.

Amara's spending	Group	Amount
Rent and bills	Need	£560
Food shopping	Need	£170
Bus pass for work	Need	£60
Takeaways and eating out	Want	£230
Clothes and trainers	Want	£280

Streaming, games and gigs	Want	£180
Paid into savings	Saving	£200
Total money out		**£1,680**

a) Add up each group: needs, wants and savings. 3 marks

> Needs £790 (560 + 170 + 60). Wants £690 (230 + 280 + 180). Savings £200.

b) Amara's take-home pay is £1,600. By how much has she overspent? 2 marks

> £80 (£1,680 – £1,600 = £80).

c) Which group is over its 50/30/20 amount, and by how much? 2 marks

> Wants: £690 – £480 = £210 over. (Needs are £10 under £800. Savings are £120 under £320.)

d) Suggest two changes that would make next month's budget balance. 2 marks

> Any sensible cuts to wants of £80 or more in total, such as £50 less on takeaways and £30 less on clothes. (Cutting £210 would bring wants back to 30%.)

5 What would you do?

4 points

Read the story, then answer the questions.



It is the last week of month two. Amara has stuck to her plan. She has **£40** of her wants money left and has already put **£320** into savings. Then her friend Dev messages: a ticket has come up for a festival this weekend. It costs **£95**.

a) How much more than her leftover wants money does the ticket cost? 1 mark

> £55 (£95 – £40 = £55).

b) What would you do if you were Amara, and why? 3 marks

> No single right answer. She could say no this time and plan ahead for the next one, take £55 from savings and accept her savings goal takes longer, or go and spend £55 less on wants next month. Look for a reason that weighs fun now against her savings.

6 Show it in a picture

3 points

Draw a pie chart or a bar to show the 50/30/20 rule. Label each part in pounds.

Half the shape for needs (£800), a bit less than a third for wants (30%, £480) and a fifth for savings (£320). Look for sensible proportions and clear labels. On a pie chart the angles are 180°, 108° and 72°.

7 Unscramble the money words

5 points

The letters are mixed up. Use the clue to work out each word.

E U G B D T	A plan for your money	B U D G E T
N C E M I O	Money coming in	I N C O M E
I V S G A S N	Money put aside for later	S A V I N G S
W T N A S	Nice to have, but you could live without them	W A N T S
A B A C E N L	What a budget does when money out matches money in	B A L A N C E

8 Before you go

One thing I learned today

One question I still have

How sure do I feel?

Not yet · Getting there · Got it

Take it home

Ask someone at home which bills are the hardest to cut. Then look at one thing you spent money on this week: was it a **need** or a **want**?

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