

Looking after your finances

Budgeting for a new phone: Financial capability

Wait, wait...no stop, stop, stop stop...

Oh no!...

I'd better tell Kevin I'm not going to make it.

No Credit???

I only just put £10 on it.

I'm gonna call them and there goes the next bus.

Hello there yeah... yeah... I'd like to check my credit please.

I got this SIM three days ago from my brother's old phone and put £10 on it.

What?!

50 minutes - that's nothing!

20 pence a minute, seriously?

I'm going to work this out. Can I put you on hold please.

20 pence x 50 mins is 1000 pence, Yeah, that's £10 alright.

Hello, can I get a better deal than that?

A contract? You tell me the figures and I'll do the maths.

How am I going to work this out?

I need something to write on.

Alright then what have we got here. No, aha! Perfect!

So let's compare PAYG with a contract.

With PAYG I get 20 pence per minute and with a contract I'd pay £45 a month and I'd get 500 free minutes.

Now let's work this out slowly.

The contract gives me a free phone and that would be fantastic.

Bitesize

And to compare them, I need to get the units right.

You should always write the units. That should be £45.

If I paid £45 a month on the pay as you go deal.

That would be 4500 pence divided by 20 pence, I'd get 225 minutes.

Woah, that's less than half as many minutes for the same amount of money.

If I've already used 50 minutes I definitely need 500 a month.

Plus I need a new phone.

Right straight to the phone shop to sign that contract.

Hmm... 24 months she said, that's quite a long time.

Do I need a new phone or do I just want one? And can I afford it?

I need to sit down and work out my outgoings and incomings.

A budget should include income and expenditure.

If income minus expenditure is positive, that's profit

and if it's negative, it's loss.

So how much income in pounds do I receive each month?

There's delivering the papers, £32 and helping in the shop, £28 and pocket money of course, say £25.

So that comes to £85 per month. That's my income.

Now let's look at the outgoings.

£20 on food.

Clothes, let's say that's £25 per month.

There's £12.50 per month at the gym and £45 per month for my new phone and contract.

That comes to £102.50 expenditure every month -£102.50.

But I only earn £85 so my monthly loss is going to be -£17.50.

This is not sustainable.

Bitesize

So maybe next month, if I try to do three more hours in the shop?

And cut down on junk food.

I could increase my income and decrease my expenditure and that would give me a monthly profit of £10 and I could even start saving!

And I'll also know if I can afford a new phone.

It looks like I'm going to be needing this.

I'm on a roll!