



Using your skills assignment: Back to work – Understanding information about income

About this assignment

When you return to work after having children, you may need to consider how this will impact on your financial situation and lifestyle. This assignment will help you to develop and practise numeracy skills that can support you to make decisions about money.

The skills you will develop and practise in this assignment include:

- calculating income including tax credits and benefits
- calculating costs including childcare, income tax and National Insurance
- extracting information from tables
- using information to compare options and make decisions.

You will be asked to use a number of these skills together to work through a real-life situation where someone is thinking about going back to work after taking time out to have children. You will be given all the information you need to work out the answers, but you will need to read this before being able to tackle 'the sums'.



There are many free sources of information and web sites to help you find out what you need to know in order to do this task in real life, and you will be signposted to them throughout the assignment. This information will be in pink information boxes (like this!). You do not need this information to complete the task, but it is included for your reference.

There are also lots of activities on the Move On Learner Route to help you with the numeracy skills you need to do the task. Before having a go at this assignment, you might like to have a look at:

- [E3 Hot Topics – Managing Money \(http://www.move-on.org.uk/ilr_php/hottopics/mo/momo_e3/intro/body01.htm\)](http://www.move-on.org.uk/ilr_php/hottopics/mo/momo_e3/intro/body01.htm).



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Sade and Paul: some background information

Sade is thinking of returning to work after having children. Her partner, Paul, has a job with a local council and earns £16 700 per year before tax and National Insurance. The family is also entitled to, and receives, some benefits and tax credits.

Sade has applied for several jobs and she has been successful. Her employer has offered her two options: to accept a full-time post or a job share, working two-and-a-half days a week. The full-time job has a salary of £14 300 per year. If she accepts a job share, she will only receive half of this. This is called getting paid **pro rata**.

Sade and Paul will need to find suitable childcare for their two children if Sade goes back to work. If she goes back to work full time, she will need to spend more on childcare than if she goes back to work for two-and-a-half days a week.



Sade has been talking to some friends, and understands that there is a range of options for childcare, including nurseries, registered child-minders and Sure Start centres, but has not yet looked into the costs of each. Her mother has offered to help out with childcare if necessary.



Questions with this symbol are for you to think about and perhaps to talk about with someone else.

You do not need to write down an answer unless you think it would be helpful.



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Sade's starting point

What does Sade need to find out before she can make a decision? Name everything you can think of, and then compare your thoughts with Sade's notes below.



These are Sade's notes for what she thinks she needs to find out before making any decisions.

Sade's starting point

Current total income after tax and National Insurance, including tax credits and benefits

Total income with Sade's part-time wage

Total income with Sade's full-time wage

Childcare costs with full-time job

Childcare costs with part-time job

How will our tax credits and benefits be affected by both of my work options?

What is the range of childcare options available locally?

Can we get help with childcare costs?

What are the advantages and disadvantages of relying on help from the family for childcare?

You may have thought of different things to the ones that Sade has. For example, you may have wondered whether her job would mean that she had to spend money on travel costs, either on increased petrol costs or public transport.



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Key facts – current situation

This is what Sade found out about their current total income.

- Paul earns £16 700 per year.
- He pays £100.70 per month in National Insurance and £170.42 in income tax.



Note: you can calculate your tax and National Insurance deductions – the money your employer will take out of your wage to give to the government – by using the PAYE tax calculator at www.listentotaxman.com/index.php?c=1&yr=2009&age=0&add=0&code=&pension=0&time=1&ingr=16+700&vw%5B%5D=yr&vw%5B%5D=mth&vw%5B%5D=wk.

The family receives **Child Tax Credit** of £268.32 per month and **Working Tax Credit** of £27.80 per month. They also receive **Child Benefit** of £20 per week for the first child and £13.20 per week for the second child.

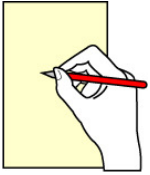


This is what Sade and Paul receive in terms of tax credits and benefits based on their income from Paul's salary. If his salary was less than this, they would receive more tax credits, but if he got a pay rise and earned more, their tax credits would be adjusted downwards. This is because they are **means-tested** benefits. To find out more about family tax credits, visit the Money Matters to Me web site at www.moneymatterstome.co.uk or the government advice web site www.direct.gov.uk (public services all in one place).

Child benefit is not means tested – everyone gets the same amount however big or small their income is. For 2009/10, everyone gets £20 per week for their first child and then £13.20 for every other child. This amount changes from time to time, and is announced in the budget. You can find up-to-date information on child benefits on the HM Revenue and Customs web site: www.hmrc.gov.uk/childbenefit.



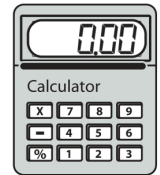
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Task 1

Work out Sade and Paul's total income per month.

Hint: You can use a calculator for this task, but first you will need to make sure that all the amounts are for the same period of time, for example, they are all 'per month' or 'per week'. You will need to firstly add up all of the family's income. Then you can add up any deductions from Paul's wage and take this amount away from the income to get the actual amount they receive.



If you need to refresh your skills on how to do this, have a look at E3 Hot Topics – Managing Money or Build your skills: Buy now, Pay Later. Go to the Answers section to look at how we worked it out.

Record your answer here:

Paul and Sade's total monthly income: £ _____



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Now they know their current situation, what next?

Paul and Sade now know what money they have coming in each month, after tax and National Insurance deductions and including any tax credits or benefits they receive. In order to make a decision about whether Sade should go back to work full-time or part-time, what do they need to find out? Name everything you can think of and then have a look at Sade's notes, below.

Now they know their current situation, what next?

Sade's notes

I need to know how much I will receive each month if I work full-time, compared to working part-time.

How much will I have to pay in childcare for both options?

Can I find childcare locally that I am happy with? Will both my children be able to attend the same nursery or childcare centre?

Will I get any financial help towards childcare and how can I find out?

I have been with both my children full-time since they were born. Will the jump to full-time childcare be too much for them to cope with? Too much for me to cope with?

How will our tax credits and benefits be affected by either option?



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How does your list compare with Sade's?

Although Sade has to do 'the sums' financially in order to consider her options, you can see that these are not the only things she needs to think through before making a decision. You may have different things that you need to think about.

Sade has asked friends and family and made enquiries with local registered childcare providers. She has chosen a Sure Start centre which several of her friends' children attend. It will cost £125 per week for both children if she works part-time, and £250 per week if she works full-time. They will get some help towards these costs – shown as 'childcare contribution' in the table below.



Sade and Paul have used some web sites to get some idea of their situation if Sade goes back to work part- or full-time. They used the 'Do I Qualify' tax credit calculator on www.taxcredits.inlandrevenue.gov.uk/Qualify/DIQHousehold.aspx to get an estimate for the tax credits they would receive, and www.listentotaxman.com/index.php?c=1&yr=2009&age=0&add=0&code=&pension=0&time=1&ingr=16+700&vw%5B%5D=yr&vw%5B%5D=mth&vw%5B%5D=wk to get an estimate of Sade's net salary after paying National Insurance and tax. They recorded their findings in a table, like the one below.



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Task 2

Look at the table below, where Paul and Sade have recorded their income and costs from the research they have done.

Income and childcare costs per year for just Paul working, Paul working and Sade working part-time, and Paul working and Sade working full-time.

Income and costs (per year)	Paul only	Sade – part-time	Sade – full-time
Paul's net* salary	13446.60	13446.60	13446.60
Sade's net salary	0	6857.16	11794.20
Child Tax Credit	3219.84	3192.32	3192.32
Childcare contribution	0	1863.61	6588.72
Working Tax Credit	333.60	0	0
Childcare costs (for 46 weeks of the year)	0	5750.00	11500.00

*If you have worked through the Managing Money Hot Topic, you may remember that 'gross' means the amount of earnings you have before any tax or National Insurance is taken off. 'Net' means the amount of money you have after tax and National Insurance have been deducted.

Note: The table does not include money for Child Benefit. They will get the same amount for this whatever Sade decides to do (it is not means tested, remember) so they have decided not to include it.





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Step 1

Firstly, look at the figures and answer these questions:

- 1 What are the units used in the table? For example, what does 333.60 represent?
- 2 Some of the amounts in the table are zero (0, or nothing). Can you explain why these amounts are zero in each situation?
- 3 You are going to need to work out the total money that Paul and Sade will have in each situation. The table shows both money coming in (income) and money they will have to pay out (costs). Use a highlighter pen or the highlighter on your tool bar to mark the costs.

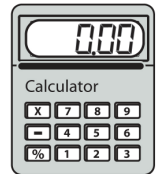
Now go to the Answers section to see how you got on.

Step 2

Before making a decision about what Sade and Paul should do, you need to work out how much they will receive in each of the three situations so that you can compare them.

Use a calculator to work out how much money they would have each year for:

- if only Paul works
- if Sade works part-time
- if Sade works full-time.



Don't forget that the highlighted figures are costs – you must take these away, not add them.

Use the table below to help you, and record your results. You may want to double check your answers by doing them more than once. Ask yourself whether the answer makes sense. It is very easy to press the wrong buttons on a calculator!

Income and childcare costs per year for Paul only working, Paul working and Sade working part-time, and Paul working and Sade working full-time

Income and costs (per year)	Paul only	Sade – part-time	Sade – full-time
Paul's net salary	13446.60	13446.60	13446.60
Sade's net salary	0	6857.16	11794.20
Child Tax Credit	3219.84	3192.32	3192.32
Child Care contribution	0	1863.61	6588.72
Working Tax Credit	333.60	0	0
Childcare costs (for 46 weeks of the year)	0	5750.00	11500.00
Total income			



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Now go to the answer section to see how you got on.

Step 3



Which option?

Having worked out what Sade and Paul would receive each year if Sade goes back to work part-time or full-time, compared to how much income they have without her working, which option would you choose?

What other factors would you need to consider? Think through all of them, not just the ones that concern money, and then compare your thoughts with Sade and Paul's below.

I need to know how much I will receive each month if I work full-time, compared to working part-time.

How much will I have to pay in childcare for both options?

Can I find childcare locally that I am happy with? Will both my children be able to attend the same nursery or childcare centre?

Will I get any financial help towards childcare and how can I find out?

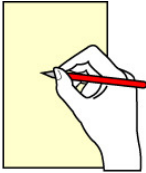
I have been with both my children full-time since they were born. Will the jump to full-time childcare be too much for them to cope with? Too much for me to cope with?

How will our tax credits and benefits be affected by either option?



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You have probably thought of many other factors that you would need to consider. There are no right and wrong answers to this. The situation is complex and each individual will have different circumstances and priorities.



Task 3

Progress check questions

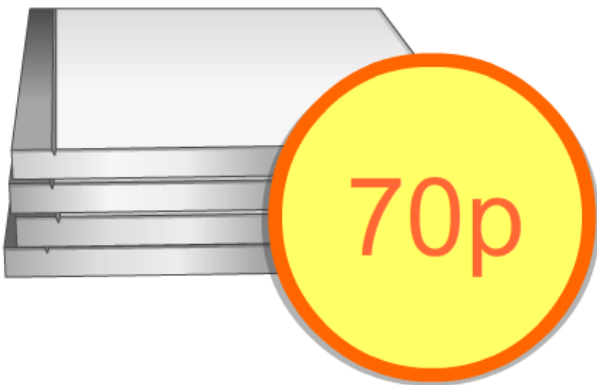
Test out the skills you have been developing throughout this assignment by having a go at the following Progress Check questions. If you want more questions like these, have a look at the sample tests at Entry 3 on the Learner Route.

Q1

This question is about a music store.

The music store sells a pack of CD cases for 70p.

What is the correct way to write 70p in pounds?



- A £0.70
- B £0.7
- C .70p
- D £0.70p



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Q2

This question is about a newspaper shop.

The table shows the number of some of the newspapers the shop sells on one weekday.

Name of newspaper	Number sold
Daily Post	274
Morning News	148
The Gazette	303

The newsagent sells 303 copies of The Gazette.

What is 303 in words?

- A Three hundred and three
- B Thirty-three
- C Three hundred and thirty
- D Three thousand and three

Q3

This question is about a music store. A customer buys 8 DVDs costing £23 each.

How much does the customer pay for the 8 DVDs?

- A £164
- B £171
- C £184
- D £202





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If you would like to extend your skills and look at household budgeting, visit the Budgeting Hot Topic on the MO Learner Route, and the Build Your Skills and Apply Your Skills tasks in the Now Do It! section.

If you want to think about household budgeting:

- [Hot Topics – Budgeting](#).

These tasks may also be helpful, and can be found on the Now do it! page of the Budgeting Hot Topic:

- Mini-task – Working out household expenditure
- Apply your skills – Planning a first budget
- Progress check – Budgeting.



Answers

Task 1: Sade and Paul's current income

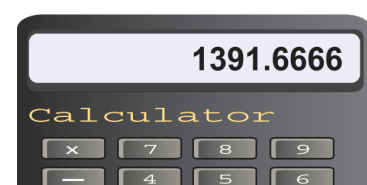
You need first to make sure you are adding up amounts with the same time period, e.g. that all the amounts are 'per month' or 'per week'. Sade's salary will be paid monthly, so we have chosen to convert all the sources of income to monthly amounts to make the comparisons easier later. If you chose to use 'per year', you can check your figures by dividing by 12. (Why? There are twelve months in a year so our figure will be 1/12 of your total).

If you have chosen to work out the total by using amounts 'per week', you will need to multiply by 52 and then divide by 12 to convert your amount to 'per month'. (Why? Because by multiplying by 52, the number of weeks in a year, you will calculate the amount of income in a year, and if you then divide by 12 you will find out what the income is per month. When using your calculator, don't forget the decimal point!)

So I need to make sure that all the amounts I am using are for the same time period, and I choose 'per month'.

Paul's gross salary (the amount he gets before any tax or National Insurance deductions) is £16 700 per year, so we need to divide this by 12 to calculate the amount per month.

$$16700 \div 12 =$$





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We only need to use the first two numbers after the decimal place, but because the next number is over 5, we 'round up' to 7. The amount is therefore £1391.67.



What does this amount mean in terms of money? It may help to put it into words. This amount is *One thousand, three hundred and ninety-one pounds and sixty-seven pence*. Now it is clear why you only need the last two numbers after the decimal point when you are dealing with amounts that are money.

I have drawn a table to help me add up the amounts, and I can now add Paul's monthly salary.

Sade and Paul's monthly income

Paul's gross income per month	£1391.67

The amounts for Working Tax Credit and Child Tax Credit are given as 'per month', so I can just add those into the table as they are.

Sade and Paul's monthly income

Paul's gross income per month	£1391.67
Working Tax Credit	£27.80
Child Tax Credit	£268.32

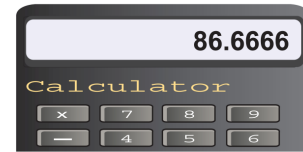
They also receive Child Benefit of £20 per week for their eldest child and £13.20 per week for their second. These need to be changed into 'per month' amounts, so I used a calculator to work this out.



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To find out the amount of child benefit per month for the eldest child:

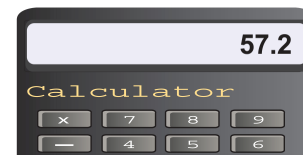
$$20 \times 52 \div 12 =$$



Again, we only need to use the first two numbers after the decimal point, the pence, but will round up the 66p to 67p because the third number is higher than 5.

To find out the amount of child benefit for the youngest child:

$$13.20 \times 52 \div 12 =$$



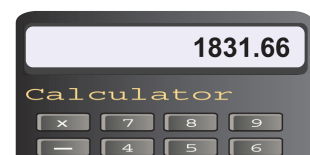
This time the calculator screen only shows one decimal place. What does this mean in terms of money? Again, say the amount out loud, if it helps you to make sense of the numbers in terms of money.

Sade and Paul's monthly income

Paul's gross income per month	£1391.67
Working Tax Credit	£27.80
Child Tax Credit	£268.32
Child Benefit for eldest child	£86.67
Child Benefit for youngest child	£57.20

So, these amounts are what Sade and Paul have coming in each month. To find the total, we need to add them all up. To find the total income per month:

$$1391.67 + 27.80 + 268.32 + 86.67 + 57.20 =$$



I made a note of this amount and called it 'Total gross monthly income' so I can come back to it later. Gross means the amount you receive before **deductions** – the amount the



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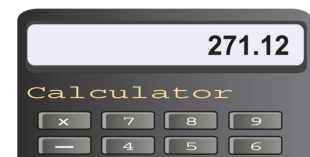
employer takes from Paul's salary to pay National Insurance and income tax contributions to the government.

Sade and Paul's monthly income

Paul's gross income per month	£1391.67
Working Tax Credit	£27.80
Child Tax Credit	£268.32
Child Benefit for eldest child	£86.67
Child Benefit for youngest child	£57.20
Total gross monthly income	£1831.66

Now I need to find out the amount of money that is deducted from Paul's salary for income tax and National Insurance. He pays £100.70 National Insurance and £170.42 in income tax per month.

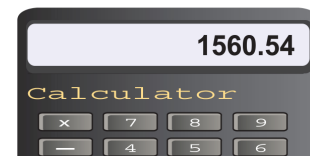
$$100.70 + 170.42 =$$



So, Sade and Paul's **net** income (the amount they actually receive after deductions for tax and National Insurance) is:

- Total gross monthly income less (take away or minus) total deductions.

$$1831.66 - 271.12 =$$



We now know that the amount Paul and Sade have coming in each month from Paul's salary and benefits and tax credits is £1 560.54.

You may have worked it out in a different order, adding together the deductions first, for example, but you should have got the same amount. If you haven't, compare what you did to the answer here, and see if you can see where you went wrong. You may want to discuss this with a friend or tutor if you have one.



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Task 2

Step 1

- 1 The units for all the figures in the table are pounds (£). It is sometimes easy to forget what units you are working in, but keeping it in mind can help you to make sense of what you are doing.
- 2 Have a look at the table below to see why some of the figures are zero.
- 3 The only costs in the table are the costs for childcare. They have been highlighted in yellow below.

Income and childcare costs per year for Paul only working, Paul working and Sade working part-time, and Paul working and Sade working full-time

Income and costs (per year)	Paul only	Sade – part-time	Sade – full-time
Paul's net salary	13446.60	13446.60	13446.60
Sade's net salary	0	6857.16	11794.20
Child Tax Credit	3219.84	3192.32	3192.32
Child Care contribution	0	1863.61	6588.72
Working Tax Credit	333.60	0	0
Childcare costs (for 46 weeks of the year)	0	5750.00	11500.00

There is a zero for Sade's net salary because this column is for amounts where Paul only is working.

There is a zero for childcare contribution here because Sade is not working and they are not claiming for any contribution towards childcare costs.

There is a zero here because until Sade returns to work, they are not paying for childcare.

There are zeros here because, with Sade working, their joint income is above the limit to qualify for WTC.



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Step 2

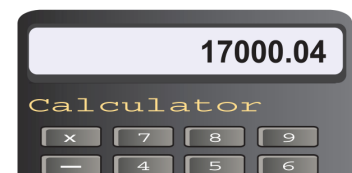
Income and childcare costs per year for just Paul working, Paul working and Sade working part-time, and Paul working and Sade working full-time

Income and costs (per year)	Paul only	Sade – part-time	Sade – full-time
Paul's net salary	13446.60	13446.60	13446.60
Sade's net salary	0	6857.16	11794.20
Child Tax Credit	3219.84	3192.32	3192.32
Child Care contribution	0	1863.61	6588.72
Working Tax Credit	333.60	0	0
Child care costs (for 46 weeks of the year)	0	5750.00	11500.00
Total income	17000.04	19609.69	23521.84

If only Paul works

To work this out, you should have added up all the figures in the column 'Paul only'. There are no costs because they are not paying for childcare at the moment, so there is nothing to take away.

$$13446.60 + 3219.84 + 333.60 = 17000.04$$



So the amount they have coming in each year, not including Child Benefit, is **£17 000.04**.

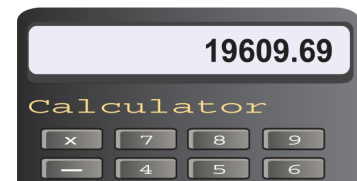


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If Sade works part-time

To work this out, you should have added up the first four amounts in the column 'Sade – part-time' and taken away, or subtracted, the last amount:

$$13446.60 + 6857.16 + 3192.32 + 1863.61 - 5750.00 =$$

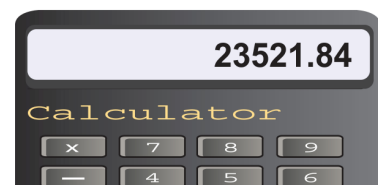


So the amount they will have each year if Sade accepts the part-time position is **£19 609.69**.

If Sade works full-time

To work this out, you need to do the same as you did for Sade working part-time, but for the amounts in the column 'Sade full-time':

$$13446.60 + 11794.20 + 3192.32 + 6588.72 - 11500.00 =$$



So, the amount they will have each year if Sade accepts the full-time position is **£23 521.84**.

Task 3

Q1 Answer A

Q2 Answer A

Q3 Answer C



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What next?

Congratulations on working through the Back to work assignment within the Managing Money Hot Topic.

You can apply the numeracy/literacy skills you have gained to prepare you to take a National Certificate in either or both maths and English.

The questions in the testlet in this Hot Topic are similar to those in the National Certificate in numeracy. If you decide you would like to gain a certificate in numeracy, try a sample test at Entry 3 and, if you have any skills gaps, work through the resources on this route to build your skills ready for assessment.

If you decide you would like to gain a certificate in literacy, try the mini-test on the English Learner Route to find the best level at which to start.

Find out more about the National Certificates by visiting the guide at www.move-on.org.uk/ilr_php/resources/Guide_to_National_Certificates.pdf.

To find out more about a financial capability qualification, go to www.fin-lit-qualifications.org.uk.



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Notes for tutors

Adult Numeracy Curriculum references:

- N1/E3.9: Use and interpret +, -, ×, ÷ and = in practical situations for solving problems
- N2/E3.4: Use a calculator to calculate using whole numbers and decimals to solve problems in context and to check calculations
- HD1/E3.1: Extract numerical information from lists and tables.
- Developing skills leading to:
 - N1/L1.1: Read, write, order and compare numbers, including large numbers
 - N2/L1.11: Add, subtract, multiply and divide decimals up to two places.

Financial Capability Framework references:

- B(b)1: Understand ways to increase income, e.g. work opportunities, benefits etc.
- B(c)3: Begin to understand the tax, pension and National Insurance systems and how deductions are made
- B(h)1: Begin to understand different sources of advice/information, how to access it and know some local contacts
- D(b)1: Understand how earnings and salaries are calculated
- D(b)2: Understand there are different forms of benefit, how they are paid for and how to access them.