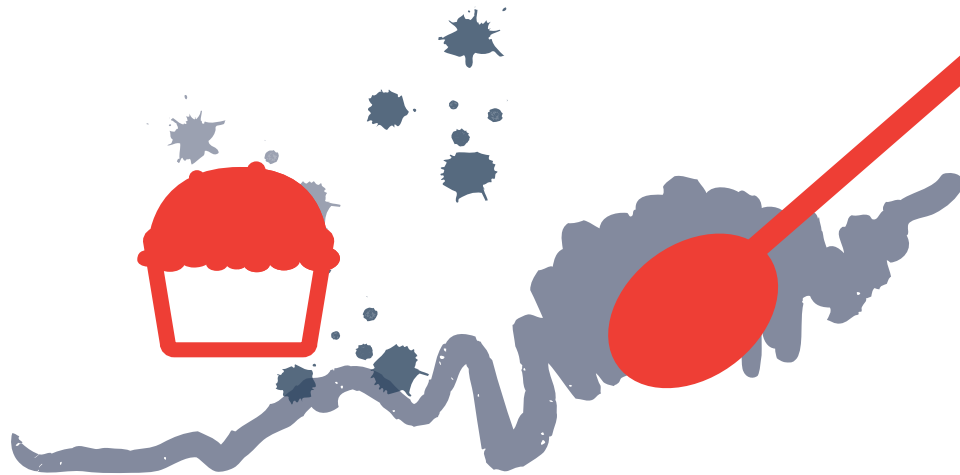


Case Study 4 (Teachers Notes)

Sarah



My name is Sarah, I'm 19 and a first year in college. I'm doing a bakery course in DIT for three years. As I'm from Kilkenny I live in a rented house in Dublin with four housemates. We share the rent but it's still quite expensive – we pay €300 each every month.

At the beginning of college, I had to buy a lot of cooking and baking equipment. That cost €200 and I'll probably have to do the same thing for the next two years. I have a few bills in the house as well. We share them between us, so I spend €250 on bills and food every month.

I can claim a student grant of €500 per term but that doesn't go very far. There are three terms a year so I get €1,500 every college year. I decided to get a student loan of €3,900 to help while I'm in college. I divided the loan up between the three years so I get €1,300 per year. Even though I don't have to pay back the loan until I finish college, I do have to pay interest every month. I only just realised that my interest repayment increases every year, the more money I draw down the more interest I have to pay. This year I'm only paying interest on €1,300 but next year it will be on €2,600 and more the following year. When I finish college I have two years to pay off the full loan.

I also have a part-time job. I work 20 hours a week in a kitchen for the minimum wage €8.65 an hour but I can only work when I don't have exams. This means I work for 7 months of the college year.

Most of my expenses are to do with college, but I like going out too! I spend at least €50 going out during the week. I also have a car. This year, my insurance was €425 and the tax cost €310. Petrol usually costs me €20 a week. I only use it to drive to Kilkenny every second weekend to see my parents. My parents help out with the insurance and gave me €100 the last time I renewed.

I think I'm pretty good at budgeting as I can make my money last until the end of term when I get my grant. When college is over, though, I'll have to repay my loan. I hope I'll be able to do this on time.

I had an accident in the car last week. I'm ok but the car needs a few repairs. Another driver cut me off and I drove into a lamp post. I think it was his fault and I want him to pay using his insurance. Thing is, if his insurance company doesn't pay, I'll have to pay out of my own pocket as I only have Third Party, Fire and Theft cover. My friend says this will cost near to €600 and to be honest, I don't think I can afford to keep the car if it needs that much work.

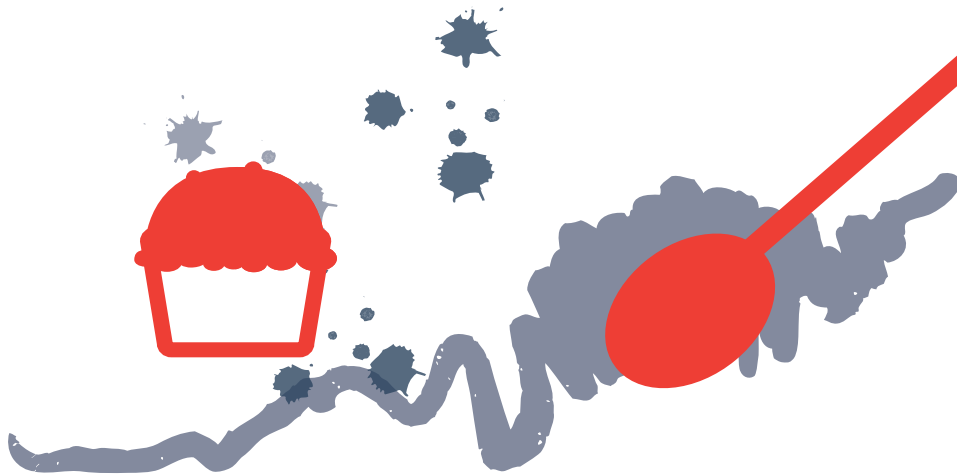
One of my housemates is from Kilkenny as well and she travels home by coach. She says it's really cheap and that you can get a return ticket for €10.80 if you're a student.

When I'm finished with this year's exams I'll be able to take on more hours at work for three months of the summer. My boss said she'll take me on for 35 hours a week at the minimum wage which is great. Unfortunately I won't be able to take a holiday, which is a pity as I'd already saved €750 for that.

I have a student current account, which my wages get paid into. When I opened it, I thought that there were no bank charges but since I started getting wages paid into it I seem to be getting charged.

Case Study 4 (Teachers Notes)

Sarah



Sarah's budget:

Sarah's annual available cash	Sarah's annual expenses
Part-time job 20 hours per week @ €8.65 x 4 weeks x 7 months = €4,844	Rent @ €300 x 12 months = €3,600
Full-time job 35 hours per week @ €8.65 x 4 weeks x 3 months = €3,633	Food and utilities @ €250 x 12 months = €3,000
Student loan = €1,300	Going out @ €50 x 52 weeks = €2,600
Student grant = €1,500	*Student loan interest payment = €5.70 x 12 months = €68
Parents' gift towards motor costs = €100	College equipment = €200
Holiday savings = €750 (not incl. in total)	Motor insurance = €425
	Motor tax = €310
	Petrol = €1,040
	Potential car repairs = €600 (not incl in total)
Total = €11,377	Total = €11,243

Sarah's goals:

- 1 Wants to pay off loan after college;
- 2 Does not want to have to pay insurance costs; and
- 3 Wants to keep her budget balanced.

* Teacher note: although Sarah does not have to pay back her loan until the end of college she will need to pay interest every month. Interest payment increases each year as she draws down more.

Advise your students to look at the different interest rates offered by financial institutions on www.ccpc.ie/consumers/financial-comparisons/student-loan-comparison

For this example students should use an interest rate of 10% and calculate the monthly interest repayments using www.ccpc.ie/consumers/tools-and-calculators/loan-calculator

Year 1 approx monthly repayment €5.70 = €68 per year

Year 2 approx monthly repayment €11.40 = €137 per year

Year 3 approx monthly repayment €17.10 = €205 per year