

2015 Section B Q4

(a) Analyse three social factors that affect household income.

Age: Age affects the household income because generally when you start working your salary is low and then rises as you get more experience and get older. This is especially evident with nurses and teachers. People retire at around 65 years old and therefore their income will be affected from this age onwards too.

Culture: In many cultures is expected that the males work to earn an income while the females look after the home and family. This can result in a lower than average income as nowadays usually the male and female both earn an income. This is more apparent in less developed countries.

Social background: Your background growing up influences early education. Some people from poor backgrounds drop out of school early which then affects them getting better educational options e.g. going to university. This then results in them having low-paid work and a generally lower income.

(b) Design a family budget (two adults and two young children) where the net weekly income is €650. Give a reason for the proposed allocation of income for each area of expenditure.

Housing; Mortgage, rent, insurance, maintenance. It costs a lot to buy/rent a home nowadays and to maintain and protect it. Therefore **25%** (€162.50) should be spent weekly.

Food; Grocery shopping, eating out. A family may eat quite a lot and food is an important necessity which is why **25%** (€162.50) of the budget should be spent on food per week.

Household expenses; Electricity, fuel and internet bills. Having a young family means you must drive to a lot of places e.g. school, matches, training sessions etc. making fuel costs increase.

Young families use a lot of technology so electricity bills and wifi bills must be paid. **20%** (€130) of the budget is recommended to be spent on these.

Education/childcare; Childminders, uniforms, books. Childcare cost is high nowadays as well as school necessities, especially in August when kids are returning to school. Therefore **10%** (€65) of the weekly net income should be spent on education and childcare.

Medical; Doctor, dentist, prescriptions. Families won't be sick each week but may need vitamins, tablets etc, they may need to visit the doctor the odd time. **5%** (€32.50) should be budgeted for medical purposes.

Savings; Emergencies, special occasions, future events. It is important to save **5%** (32.50) as savings in case something arises unexpectedly.

Entertainment; Cinema, sports activities. It's good for a family to spend **5%** (€32. 50) of their weekly income on entertainment to bond as a family and relax.

Clothing; New clothes may be needed especially with young growing kids. **5%** (€32.50) should be spent on clothing.

**(c) Recommend one type of savings scheme suitable for a family.
Refer to: name of institution, type of savings scheme, interest paid,
ease of access to funds and tax payable**

An Post - Deposit account.

Minimum investment is €1 and there is no maximum investment. 0.15% variable interest rate. Interest is calculated daily and paid at the end of the year. Interest earned is subject to DIRT at 41%. Up to €3,000 can be withdrawn daily at any post office once individuals have a personal deposit book and proof of identity.