

CLARITY EDUCATION SERIES · CLASSROOM PACK

# Where Did My Money Go?

A ready-to-teach lesson on inflation, real terms and who makes our money

**SAME PRICE, LESS STUFF**

**14+**  
S3-S6

**REAL OR NOMINAL?**

**WHO PRINTS IT?**

**2% TARGET**

## In this pack

|                |                                                |           |
|----------------|------------------------------------------------|-----------|
| <b>TEACHER</b> | Lesson plan (55 minutes, plus a short version) | <b>2</b>  |
| <b>TEACHER</b> | Teacher notes and safeguarding                 | <b>3</b>  |
| <b>PUPIL</b>   | Worksheet: the language of inflation           | <b>4</b>  |
| <b>PUPIL</b>   | Activity: Price detective (five tasks)         | <b>5</b>  |
| <b>PUPIL</b>   | Myth or fact quiz                              | <b>7</b>  |
| <b>TEACHER</b> | Answer key: quiz and worksheet                 | <b>8</b>  |
| <b>TEACHER</b> | Answer key: Price detective                    | <b>9</b>  |
| <b>PUPIL</b>   | “Money sense” takeaway card                    | <b>10</b> |

Scotland · Curriculum for Excellence · S3-S6 · Photocopiable for use in your school

**THINK IN REAL TERMS.**

# Inflation made clear

## LEARNING INTENTIONS

- We are learning what inflation is, how the UK measures it, and why the target is 2%.
- We are learning the difference between nominal and real, and how to spot shrinkflation.
- We are learning who makes our money, including how banks create money when they lend.

## SUCCESS CRITERIA · I CAN...

- explain that inflation is a speed, not a level, and that “falling inflation” still means rising prices;
- estimate a real change using  $\text{real} \approx \text{nominal} - \text{inflation}$ ;
- work out and compare unit prices;
- explain who issues notes in Scotland and why a bank loan creates new money.

## Curriculum links

Fourth level and senior phase (S3–S6). Fits **numeracy: money and percentages** as part of financial education, **social studies**, and senior-phase **Business, Economics and Modern Studies**. It also suits PSE money lessons. Check the exact experiences and outcomes and benchmarks against your school’s own planning.

| Time  | What happens                                                                                                                                                                                                                                                                        | Resources             |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 0–5   | <b>Starter: the loaf.</b> Ask how many loaves £1 bought in 1970. Reveal: about 10 in 1970, three in 1980, two in 1990, one in 2020, and only 0.7 of a loaf in 2024 (MoneyHelper). Share the learning intentions.                                                                    | Board                 |
| 5–15  | <b>Teach: what inflation is.</b> The speed at which prices rise. The ONS basket: 760 items, around 180,000 prices a month. CPI was 3.5% in the 12 months to September 2026 (figures correct at October 2026); the target is 2%. Real vs nominal. Pupils do worksheet Parts A and B. | Worksheet p4          |
| 15–30 | <b>Price detective.</b> In pairs: Task 1 (unit prices and shrinkflation), Task 2 (savings in real terms) and Task 3 (rule of 72). Fast finishers move on to Task 4 (then vs now).                                                                                                   | Activity p5–6, key p9 |
| 30–40 | <b>Myth or fact quiz.</b> On their own, then go through the answers. Spend a moment on 5 and 6: most money is created by banks when they lend.                                                                                                                                      | Quiz p7, key p8       |
| 40–50 | <b>Who makes our money?</b> Task 5: put the steps of a £5,000 car loan in order. Then worksheet Part C (who tends to lose out) and the Scottish banknotes fact. Hand out the takeaway card.                                                                                         | p6, p4, card p10      |
| 50–55 | <b>Plenary: exit ticket</b> (worksheet Part D). One thing inflation is, one way to check a price, one fact about who makes money.                                                                                                                                                   | Worksheet Part D      |

**Short version (about 30 minutes):** starter, what inflation is, worksheet Part B, activity Task 1, quiz questions 1–6 and the card. **Extension (S5–S6):** the guide’s chapter 5 sets out four schools of thought (Keynesian, monetarist, Austrian, MMT). Pupils pick one and present its view of the main cause and cure, plus the main criticism.

Resources: one worksheet, activity sheets (p5–6), quiz and card per pupil; calculators for Tasks 1–4. Answer keys (p8–9) are for the teacher only.

# Background, safeguarding and further reading

## SAFEGUARDING: READ BEFORE THE LESSON

Money can be a sensitive subject. Some pupils' families may be struggling with rising prices, debt or energy bills, and some pupils may already be worried about money.

- Keep examples general. Don't ask pupils about their own family's income, debts or spending, in class or in homework. The price diary idea in the guide works with any shop's prices, not a family budget.
- Keep the tone no-blame: the guide shows that poorer households often feel inflation more (energy and "cheapflation"), which is about circumstances, not choices.
- If a pupil shares a worry about money at home, or about someone being threatened over a debt, follow your school's child protection procedures and tell your guidance or pastoral team.
- Loan sharks lend illegally and often make threats. In Scotland, report them to the **Scottish Illegal Money Lending Unit on 0800 074 0878** (24 hours) or at [stopillegallending.co.uk](http://stopillegallending.co.uk). Free debt help: MoneyHelper, Citizens Advice Scotland or Money Advice Scotland.
- Pupils can also talk in confidence to **Childline on 0800 1111** (free, 24/7, [childline.org.uk](http://childline.org.uk)).
- This is general education, not financial advice. Don't recommend any product, account or investment.

## Key facts (from the guide, checked October 2026)

- CPI inflation was 3.5% in the 12 months to September 2026 (up from 3.1% in August), mostly because of motor fuels. Bank Rate was 3.75%, held on 17 September 2026; the next decision was due on 5 November 2026. *Figures correct at October 2026.*
- The 2026 ONS basket holds 760 items. Around 180,000 prices are gathered each month.
- CPI hit 11.1% in October 2022, the highest in the official series that began in 1997.
- In June to August 2026, regular pay was 3.7% higher than a year before, but real regular pay growth was just 0.6% (CPIH) or 0.8% (CPI).
- Bank of England notes in circulation: 4.98 billion, worth about £91.5 billion. In Scotland, only Royal Mint coins are strictly legal tender.
- Bank of England figures in this pack may have been updated since; check the ONS and the Bank for anything newer.

## Where to read more in the guide

Page numbers refer to the full A4 edition of *Where Did My Money Go?* (65 pages).

| Topic                                                    | Chapter      | Page              |
|----------------------------------------------------------|--------------|-------------------|
| Inflation in one page · the basket of goods              | 1 · 2        | 4 · 6             |
| History of UK prices · why prices rise · different views | 3 · 4 · 5    | 10 · 13 · 15      |
| The Bank of England · real and nominal                   | 6 · 7        | 17 · 20           |
| Savings, pay, pensions and debt · usury · shrinkflation  | 8 · 9        | 22 · 23 · 26      |
| Who makes our money · how banks create money             | 10 · 11      | 28 · 30           |
| Scottish banknotes and the digital pound · QE            | 12 · 13      | 34 · 36           |
| Inflation calculator · then vs now · myths · worksheets  | 15 · 17 · 18 | 42 · 44 · 50 · 53 |

The guide is free to share: [clarityhq.uk/guides/where-did-my-money-go.html](http://clarityhq.uk/guides/where-did-my-money-go.html). General education, not financial advice. Pack Task 1's Pack C is a made-up example; all other figures are from the guide.

# The language of inflation

Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

## ■ Part A · Key words

Write the letter of the right meaning next to each word.

|   |                      |       |                                                                               |
|---|----------------------|-------|-------------------------------------------------------------------------------|
| 1 | <b>Inflation</b>     | _____ | A · The price per 100g, litre or item: the fairest way to compare packs.      |
| 2 | <b>Deflation</b>     | _____ | B · Measured in pounds, without adjusting for inflation.                      |
| 3 | <b>Nominal</b>       | _____ | C · The speed at which prices are rising.                                     |
| 4 | <b>Real terms</b>    | _____ | D · The interest rate set by the Bank of England's Monetary Policy Committee. |
| 5 | <b>Shrinkflation</b> | _____ | E · A smaller product sold at the same price.                                 |
| 6 | <b>Unit price</b>    | _____ | F · When the overall level of prices falls.                                   |
| 7 | <b>Bank Rate</b>     | _____ | G · The Consumer Prices Index: the measure used for the 2% target.            |
| 8 | <b>CPI</b>           | _____ | H · Adjusted for inflation: what money will actually buy.                     |

## ■ Part B · Real or nominal?

Use the quick rule: **real change ≈ nominal change – inflation**. Then tick: real gain or real-terms cut?

| Money in            | Prices       | Real change (about) | Gain or cut?                                               |
|---------------------|--------------|---------------------|------------------------------------------------------------|
| Pay rise 5%         | Inflation 3% |                     | <input type="checkbox"/> Gain <input type="checkbox"/> Cut |
| Pay rise 2%         | Inflation 3% |                     | <input type="checkbox"/> Gain <input type="checkbox"/> Cut |
| Savings interest 4% | Inflation 3% |                     | <input type="checkbox"/> Gain <input type="checkbox"/> Cut |
| Savings interest 1% | Inflation 5% |                     | <input type="checkbox"/> Gain <input type="checkbox"/> Cut |

## ■ Part C · Who tends to lose out?

|   |                                                         |                                                                            |
|---|---------------------------------------------------------|----------------------------------------------------------------------------|
| 1 | Someone with cash savings earning less than inflation   | <input type="checkbox"/> Loses out <input type="checkbox"/> Copes or gains |
| 2 | A borrower with a fixed-rate loan, while the rate lasts | <input type="checkbox"/> Loses out <input type="checkbox"/> Copes or gains |
| 3 | A worker whose pay rises lag behind prices              | <input type="checkbox"/> Loses out <input type="checkbox"/> Copes or gains |
| 4 | A pensioner whose income is linked to inflation         | <input type="checkbox"/> Loses out <input type="checkbox"/> Copes or gains |
| 5 | A borrower on a variable rate when interest rates rise  | <input type="checkbox"/> Loses out <input type="checkbox"/> Copes or gains |
| 6 | A saver whose interest rate beats inflation             | <input type="checkbox"/> Loses out <input type="checkbox"/> Copes or gains |

## ■ Part D · Exit ticket

Inflation is...

One way to check I'm getting a fair price:

One fact about who makes our money:

# Unit prices, savings, rule of 72

Use a calculator. Show your working. These are practice sums, not real offers or forecasts.

## Task 1 · Same price, less stuff?

Shrinkflation is when a pack gets smaller but the price stays the same. Work out each unit price:  $\text{price} \div \text{weight} \times 100 = \text{price per 100g}$ .

| Pack                     | Weight | Shelf price | Price per 100g |
|--------------------------|--------|-------------|----------------|
| Pack A                   | 200g   | £2.00       |                |
| Pack B                   | 180g   | £2.00       |                |
| Pack C (made-up example) | 250g   | £2.40       |                |

Which is the best value? About how much more does Pack B cost than Pack A for the same amount?

## Task 2 · £1,000 saved for one year

If inflation is 3%, shopping that cost £1,000 now costs £1,030. Fill in the table.

| Interest and inflation    | Balance after a year | Cost of the same shopping | Better off, worse off or standing still? |
|---------------------------|----------------------|---------------------------|------------------------------------------|
| Interest 1%, inflation 3% |                      |                           |                                          |
| Interest 3%, inflation 3% |                      |                           |                                          |
| Interest 4%, inflation 3% |                      |                           |                                          |

## Task 3 · The rule of 72

Divide 72 by the inflation rate to estimate how many years it takes for prices to double. It works well for rates under about 10%.

| Inflation each year        | 2% (the target) | 3% | 6% |
|----------------------------|-----------------|----|----|
| Years for prices to double |                 |    |    |

At 2% a year, what happens to the buying power of cash left in a jar for 36 years?

# Then vs now, and bank money

## Task 4 · Then vs now: 1996 and 2025

Work out how many times higher each price was in 2025: **2025 price ÷ 1996 price**. Round to one decimal place.

| What                             | 1996    | 2025     | How many times higher? |
|----------------------------------|---------|----------|------------------------|
| Average home, UK                 | £53,415 | £267,169 |                        |
| Average home, Scotland           | £42,202 | £189,221 |                        |
| Litre of premium unleaded petrol | 56.5p   | 135.1p   |                        |
| All prices (CPI index)           | 68.8    | 138.4    |                        |

Yearly averages. Sources: UK House Price Index, DESNZ (petrol), ONS (CPI).

Which rose faster than prices in general? Give one reason why a 1990s wage might have seemed to go further.

## Task 5 · How a bank creates money

The Bank of England says: “Whenever a bank makes a loan, it simultaneously creates a matching deposit in the borrower’s bank account, thereby creating new money.” Put these steps in order.

- W** You pay the car dealer. The money moves to the dealer’s account, and the banks settle up in reserves at the Bank of England.
- X** You borrow £5,000 for a car. The bank types two entries: a £5,000 loan (you owe the bank) and £5,000 in your account (the bank owes you).
- Y** You repay the loan. As you pay it off, the money is “deleted”, and your balance and your debt both fall.
- Z** New money now exists. Nobody else’s balance went down.

**My order:** 1 \_\_\_\_ 2 \_\_\_\_ 3 \_\_\_\_ 4 \_\_\_\_

The Bank says “banks create money, not wealth”. What do you think it means?

# Myth or fact?

You might hear these at the bus stop or online. Tick one box for each. All are checked in the Clarity guide *Where Did My Money Go?*

- |           |                                                                                            |                               |                               |
|-----------|--------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| <b>1</b>  | "Inflation is falling, so prices are coming down."                                         | <input type="checkbox"/> Myth | <input type="checkbox"/> Fact |
| <b>2</b>  | "The Bank of England wants zero inflation."                                                | <input type="checkbox"/> Myth | <input type="checkbox"/> Fact |
| <b>3</b>  | "The Chancellor sets the inflation target, and the Bank of England decides how to hit it." | <input type="checkbox"/> Myth | <input type="checkbox"/> Fact |
| <b>4</b>  | "Shrinkflation is hidden from the official figures."                                       | <input type="checkbox"/> Myth | <input type="checkbox"/> Fact |
| <b>5</b>  | "Most money in the UK is created by banks when they make loans."                           | <input type="checkbox"/> Myth | <input type="checkbox"/> Fact |
| <b>6</b>  | "Banks lend out the money savers deposit."                                                 | <input type="checkbox"/> Myth | <input type="checkbox"/> Fact |
| <b>7</b>  | "UK banks must keep a fixed fraction of deposits as reserves."                             | <input type="checkbox"/> Myth | <input type="checkbox"/> Fact |
| <b>8</b>  | "Three banks in Scotland are allowed to issue their own banknotes."                        | <input type="checkbox"/> Myth | <input type="checkbox"/> Fact |
| <b>9</b>  | "You can already buy digital pounds from the Bank of England."                             | <input type="checkbox"/> Myth | <input type="checkbox"/> Fact |
| <b>10</b> | "There is a legal limit on how much interest any lender can charge."                       | <input type="checkbox"/> Myth | <input type="checkbox"/> Fact |
| <b>11</b> | "Inflation only matters to savers."                                                        | <input type="checkbox"/> Myth | <input type="checkbox"/> Fact |
| <b>12</b> | "A 2% pay rise when inflation is 3% is a real-terms pay cut."                              | <input type="checkbox"/> Myth | <input type="checkbox"/> Fact |

**My score:** \_\_\_\_\_ / 12    The one that surprised me most: \_\_\_\_\_

# Quiz and worksheet answers

## ■ Myth or fact quiz

- 1 Myth.** Falling inflation means prices are rising more slowly. In September 2026, CPI prices were 3.5% higher than a year before. Prices only fall overall when inflation drops below zero, as it briefly did in 2015.
- 2 Myth.** The target is 2%: low enough to keep rises small but high enough to avoid the harms of deflation.
- 3 Fact.** The Chancellor sets the target in an annual remit letter; the Bank decides how to meet it.
- 4 Myth.** The ONS adjusts for pack size changes, so a smaller pack at the same price counts as a price rise.
- 5 Fact.** The Bank of England says most money is created “not by printing presses at the central bank, but by banks when they provide loans”.
- 6 Myth.** Not how it works today. When a bank makes a loan it creates a new deposit: lending comes first.
- 7 Myth.** “There are no reserve requirements in the United Kingdom.” The old reserve ratio was scrapped in 1981.
- 8 Fact.** Bank of Scotland, Clydesdale Bank and The Royal Bank of Scotland. They must hold backing assets worth at least the value of their notes.
- 9 Myth.** No digital pound exists yet and no decision has been made. Anyone selling “digital pounds” or “Bitcoin” is running a scam.
- 10 Myth.** There is no general cap in the UK. The main exception is payday-style lending, capped by the FCA since 2 January 2015.
- 11 Myth.** It affects anyone whose income, bills or debts are fixed in pounds: workers, pensioners, renters, borrowers and businesses.
- 12 Fact.** Real change  $\approx$  nominal change – inflation: about a 1% real cut, even though pay went up.

### PART A · KEY WORDS

1 C · 2 F · 3 B · 4 H · 5 E · 6 A · 7 D · 8 G

### PART B · REAL OR NOMINAL

About +2% gain · about –1% cut · about +1% gain (before any tax) · about –4% cut. The quick rule is close enough when the numbers are small.

### PART C · WHO TENDS TO LOSE OUT

Loses out: 1, 3, 5. Copes or gains: 2 (while the fixed rate lasts), 4, 6. A general pattern, not a rule: each person's position depends on the details.

# Price detective answers

## Task 1 • Unit prices

Pack A £1.00 per 100g · Pack B about £1.11 per 100g · Pack C 96p per 100g. Same shelf price for A and B, but Pack B costs about **11% more** for the same amount. Pack C is the best value. Most shelf labels already show the unit price in small print. Remind pupils that bigger packs and multipacks aren't always cheaper per unit.

## Task 2 • Savings in real terms

| Interest and inflation | Balance | Shopping | Real result                          |
|------------------------|---------|----------|--------------------------------------|
| 1% / 3%                | £1,010  | £1,030   | About £20 worse off                  |
| 3% / 3%                | £1,030  | £1,030   | Standing still                       |
| 4% / 3%                | £1,040  | £1,030   | About £10 better off, before any tax |

## Task 3 • Rule of 72

2% → about 36 years · 3% → about 24 years · 6% → about 12 years. At 2% for 36 years, cash left idle buys only about **half** as much. Even a little inflation matters for long-term savings.

## Task 4 • Then vs now

UK home 5.0× · Scotland home 4.5× · petrol 2.4× · all prices 2.0×. All three rose faster than prices in general; homes by far the most. Reasons the guide gives: housing took a much smaller bite (a typical home cost about 3.6 times a typical full-time worker's yearly pay in 1997, against 7.6 times in England by 2025); fewer monthly bills (no home broadband or streaming, few mobile contracts); and we compare different stages of life, such as a teenager paying board at home.

## Task 5 • How a bank creates money

Order: **X, Z, W, Y**. "Banks create money, not wealth": every new pound of deposits is matched by a pound of debt, so the borrower is no richer. Banks can't create as much as they like. They are limited by profit and competition, by having to pay other banks, by regulation, by what households and firms choose to do, and by Bank Rate (the ultimate limit).

**Scottish banknotes:** three Scottish banks issue notes, and must set aside backing assets (Bank of England notes, UK coins or money at the Bank of England) worth at least the value of their notes. Some of the backing notes are £1 million "Giants" and £100 million "Titans".

# Money sense

|                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Inflation is a speed</b>                                                                                                                                                                                                                                                                           | It's how fast prices rise. When inflation "falls", prices are usually still rising, just more slowly. The UK target is <b>2%</b> .                                                                    |
| <b>Think in real terms</b>                                                                                                                                                                                                                                                                            | Real change $\approx$ nominal change – inflation. A "rise" below inflation is a real-terms cut.                                                                                                       |
| <b>Check the unit price</b>                                                                                                                                                                                                                                                                           | Look at the price per 100g, litre or sheet on the shelf label, not just the sticker. Watch for "new look" packs.                                                                                      |
| <b>Rule of 72</b>                                                                                                                                                                                                                                                                                     | $72 \div \text{inflation rate} \approx \text{years for prices to double}$ . At 2%, about 36 years.                                                                                                    |
| <b>Who makes our money?</b>                                                                                                                                                                                                                                                                           | Most money is created by banks when they lend. The Bank of England sets Bank Rate and issues notes in England and Wales. In Scotland, three banks issue their own notes.                              |
| <b>Spot the scams</b>                                                                                                                                                                                                                                                                                 | No digital pound exists yet. Treat "inflation-proof" schemes, gold and guaranteed returns with great caution. Check firms on the FCA register at <b>fca.org.uk</b> , and never decide under pressure. |
| <b>Free official tools</b>                                                                                                                                                                                                                                                                            | ONS personal inflation calculator ( <a href="https://ons.gov.uk">ons.gov.uk</a> ) · Bank of England inflation calculator ( <a href="https://bankofengland.co.uk">bankofengland.co.uk</a> )            |
| <b>Free, impartial help</b>                                                                                                                                                                                                                                                                           | <b>MoneyHelper:</b> <a href="https://moneyhelper.org.uk">moneyhelper.org.uk</a> · <b>Citizens Advice Scotland:</b> <a href="https://cas.org.uk">cas.org.uk</a>                                        |
| <p><b>Loan sharks.</b> Illegal lenders often make threats. In Scotland, report them to the Scottish Illegal Money Lending Unit on <b>0800 074 0878</b> (24 hours) or at <a href="https://stopillegallending.co.uk">stopillegallending.co.uk</a>. Worried about money? Talk to an adult you trust.</p> |                                                                                                                                                                                                       |
| <p><b>Legal tender?</b> In Scotland only Royal Mint coins are strictly legal tender, and it doesn't mean a shop must accept a payment. Shops in England can refuse a Scottish note, but most will accept them.</p>                                                                                    |                                                                                                                                                                                                       |

Read more in the free Clarity guide "Where Did My Money Go?": [clarityhq.uk/guides/where-did-my-money-go.html](https://clarityhq.uk/guides/where-did-my-money-go.html). General education, not financial advice. Published by Clarity Guides. Figures checked October 2026.