Topic 1: What is money?

This topic helps you to:

- understand bartering and why money replaced it
- understand the features of money
- know the difference between coins, banknotes and electronic balances.

Introduction

We use money every day:

- we spend,
- we save; and
- we borrow.

But how often do we think about what makes money 'money'? Why are the pieces of metal and paper that we give to shops and to each other so special? And why are there lots of different notes and coins, instead of just one?

Topic 1 goes back to basics, considering the main features of money. You'll look at how to tell whether something passes the 'money test', at the fact that not all money is cash, and at what people did before money existed.

Hope you enjoy Topic 1.

What did people do before money?

Before there was money, people got things by swapping items. For example, a farmer might swap eggs for seed. This was called 'bartering' and involved negotiation.

Barter was difficult. It meant that both the people bartering needed to have exactly what the other wanted.

"I'll trade you my three sheep for your two cows"

"But I don't need any sheep!"

It also meant that both people had to agree on what different items were worth.

"OK, I'll trade you one pig for your two cows"

"One of my cows is worth five of your pigs!"

This is why people needed money – something everyone would recognise, and which was always worth the same amount.

Go to the course site to complete the video activity: Bartering.

What is money?

Money is anything generally accepted as payment for goods and services.

What are the features of money?

To be accepted, money must be:

- recognised by everyone
- accepted by people and shops
- easy to carry
- available in different amounts or denominations
- hardwearing, ie it lasts a long time
- always worth the same amount (£1 is worth £1).

Go to the course site to complete the activity: Does it pass the money test?

What do we use as money?

Coins and banknotes have all the features of money.

Banknotes allow us to carry higher amounts without filling our pockets with coins.

Having different denominations means we can buy items for different amounts and receive change.

Janice: coins and change

Janice buys a magazine for £3.45.

She hands the cashier three £1 coins, two 20p coins and one 10p coin.

The cashier gives her two 2p coins and one 1p coin in change.

Go to the course site to complete the activity: Notes and coins

How do we know money is genuine?

We know that money needs to be recognisable.

In the UK, everyone learns what money looks like.

But coins and banknotes are also made in ways that make them hard to copy.

Coins are made from combinations of metals.

The monarch's head is on one side and a memorable design is on the other.

The edges sometimes include inscriptions of famous phrases.

A common inscription on £2 coins is **'Standing on the shoulders of giants'**, a quote from English scientist Sir Isaac Newton.

Banknotes are made from special paper or a type of plastic called polymer, and have many extra security features.

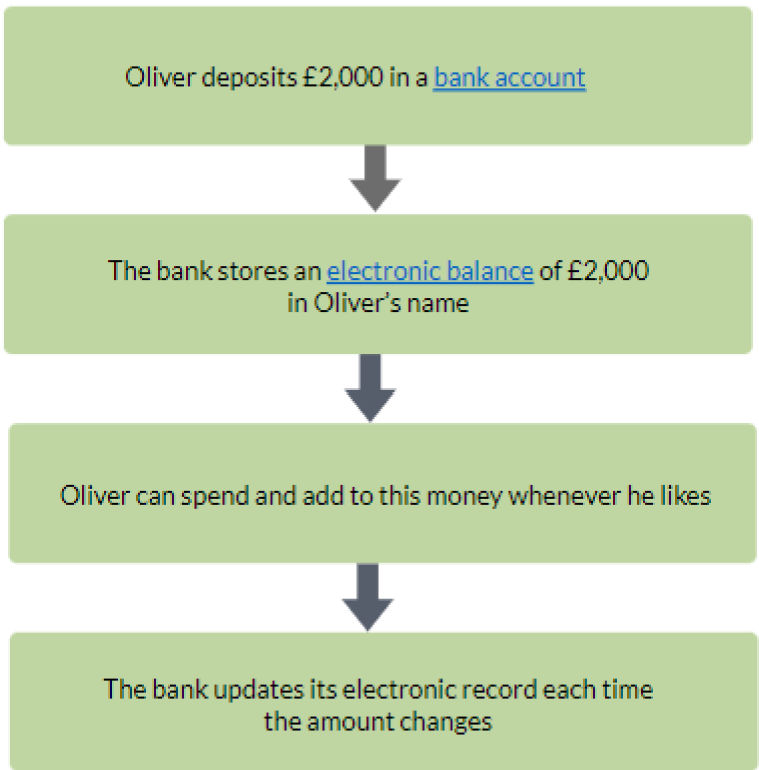
FACTFIND

1. Find out more about the history of the Royal Mint.
2. Work through the Bank of England's 'Take a closer look' module to learn about banknotes' security features.

Electronic balances

We don't carry around all of our money. The money we store in places like banks is held electronically.

Here is a simple example:



We can check how much money is in our bank account via internet banking, mobile banking app or an automated teller machine (ATM). These machines are often referred to as cash points.

Congratulations

You have completed Topic 1!

Go to the course site and complete the end-of-topic quiz and activity to expand your learning for this topic.

Topic 2a: Income and earnings

This topic helps you to:

- understand the different types of income and earnings
- understand some key laws about working
- explain different types of employment
- understand some government benefits
- explain how pensions and investments can be a source of money
- explain what an inheritance is.

What is income?

'Income' is all of the money a person receives over a certain time period.

It also includes benefits paid by the government (ie money to help certain people, such as the unemployed or disabled).

What are earnings?

'Earnings' are the income that you receive for doing a job.

'Wages' is the word used when someone is paid weekly, where they earn an hourly rate:

Tomek delivers newspapers and earns a wage of £4 an hour.

Tomek

Bethany babysits for her neighbours and earns a wage of £4.40 an hour.

'Salary' is the word used where a person earns a yearly rate, such as £15,000 per year (or 'pa', meaning per annum).

Jane is a teacher earning a salary of £28,000 a year.

Jane

Demi is a call centre supervisor, earning a salary of £18,000 pa

Go to the course site to complete the activity: Calculate people's earnings.

How many hours can we work?

The UK has laws about:

- the age people must be before they can go to work
- the number of hours that people can work.

- People under the age of **13** can't work unless they are actors.
- Those aged **13** can only work in certain circumstances.
- Those aged **14 to 16** can't work for more than two hours on a school day.
- Those aged **16 to 17** must not work for more than eight hours a day.

Regulations set by the government say that employees aged 18 and over:

- must not be told to work more than 48 hours a week (though they can choose to do so)
- must have at least 28 days' paid leave every year
- have a right to one day off per week.

National minimum and living wages

By UK law, employers must pay workers at least a minimum wage.

The national minimum and living wages were created to ensure workers are not paid unfairly.

The national minimum wage applies to all UK employees aged 16–22.

School-aged children under 16 are not entitled to the national minimum wage.

The minimum/living wage varies depending on the employee's age.

The national living wage applies to all UK employees aged 23 and over.

FACTFIND

Visit the gov.uk website to find out the latest rates.

Different types of employment

We have looked at the money people earn from doing a job. Let's think about different ways in which people work.

- People are ‘employees’ if they work for others (their ‘employer’).
- Other people work for themselves and are ‘self-employed’.

Hours of work and pay

Dwight is an employee of The Big Office, which decides his hours of work and his pay.

Jacki is self-employed and has a cake-decorating business. She decides her hours of work and what she can afford to pay herself.

Earnings from self-employment

A person who is ‘self-employed’ works for themselves.

A boss does not pay them wages or a salary.

Instead, they find their own work and collect their earnings for that work from their customers:

Eric the self-employed painter

Eric has worked as a painter for 20 years, so a lot of his customers are people who know him and who ring him every so often to do a job. He gets other jobs when his clients tell their friends how good he is at painting.

Eric charges £150 a day for painting the inside of a house and £180 a day for painting the outside.

If he were to work for five days a week on the inside of someone's house, he would get £750. He has to use some of this money to buy paint and brushes.

If the paint and brushes cost £100, his income would be £650.

Full-time working

Full-time work means working for the whole working day and week, all year except for paid holidays. For offices and shops, this is often:

- 9am to 5pm (or 5.30pm)
- with one hour off for lunch
- for five or six days a week.

Shifts

Some employers are open for more than eight hours a day, such as supermarkets, hotels and restaurants.

They may even be open 24 hours a day – think of the police and hospitals.

They need staff for all the hours they are open, so their employees (whether part-time or full-time) work in 'shifts'.

The working day is divided into different time periods. Each period is one 'shift'.

Quick Eats is a 24-hour restaurant in a motorway service station.

The staff work in three eight-hour shifts:

10am to 6pm

6pm to 2am

2am to 10am

Part-time working

People who work part-time do so for part of the working day, week or year.

They might, for example, work for:

- a few working hours each day
- a few days in a working week
  or
- several months in a year.

Full-time and part-time workers have the same legal rights.

The employment contract agreed between an employee and employer must state whether the employee is full-time or part-time.

Self-employed people can choose to work part-time if they wish . . .

"I'm a self-employed writer and work four days a week"

Zero-hour contracts

A zero-hours contract means the employer does not have to provide any minimum working hours, and the worker does not have to accept any work offered. The employee can leave at any time.

Zero-hours workers do not know from week to week whether they will be offered any work, or how many hours they might be offered.

This can make it difficult for zero-hours workers to manage their money.

Go to the course site to complete the activity: Types and hours of work.

Education Maintenance Allowance (EMA)

EMA is a weekly payment of between £10 and £30 a week, available to students over the age of 16 in full-time education in Northern Ireland, Scotland or Wales.

As there is no EMA in England, schools and colleges in England can award bursaries, ie monetary awards, to students who need them.

Jobseeker's Allowance (JSA)

People who are not working might get benefit payments from the government.

Other than Universal Credit, which is available to certain people who are or aren't working, the main benefit for the unemployed is JSA. The amount paid depends on the claimant's age.

To get 'new style' JSA, you must be:

- available for and actively seeking work
- between 18 years old and state pension age

  and

- working less than 16 hours a week on average.

You must also have **worked as an employee** and **paid Class 1 National Insurance contributions (NICs)**, usually in the last two to three years.

You also need to attend an interview at the Jobcentre, where you set out the steps you will take to find work.

To keep getting the benefit, you have to attend regular job search reviews.

"What did you apply for this week?"

"Two factory jobs and a waiter role"

Before new style JSA was introduced, there were two types:

- Contribution-based JSA was paid to claimants who had made a sufficient amount of NICs to qualify.
- Income-based JSA was for those who had not made enough NICs.

- **No new applications can be made for these older forms of JSA**. Those already claiming them will keep getting payments while they are eligible until their claim ends.

When can't you claim JSA?

You usually can’t claim JSA if you are:

- self-employed
- under 18
- unable to work full-time (eg you’re disabled – you could claim other benefits instead).

For example, if you’re only working 12 hours per week because you’re a student, you can’t claim JSA because you’re not actively looking for a full-time job.

Income Support

Income Support is an older benefit that has been replaced by Universal Credit. It was paid to those who:

- were aged 18 or over
- could be available for full-time work
  and
- did not have enough money to live on.

People could work up to 16 hours a week and still claim Income Support.

They wouldn't get anything, however, if they had a certain amount of savings, which the government expects people to spend first.

How much Income Support people received depended on their situation, such as whether they were:

A single parent

Caring for someone who is sick or elderly

Pregnant or a new mother

People who receive Income Support may also get financial help with their rent and council tax. Certain people who were on Income Support will still receive it. Others may move to Universal Credit.

Employment and Support Allowance (ESA)

ESA is paid to some people who are disabled or ill and cannot work. Under 'new style' ESA, the claimant needs to have:

- worked as an employee or been self-employed

- paid enough National Insurance contributions, usually in the last two to three years.

After 13 weeks, the claimant is assessed to see whether they can do any kind of work.

If you have an illness or disability that greatly affects your ability to work, you receive increased financial support and do not have to prepare for a return to work.

Claimants are offered personal support via a personal adviser and a wide range of further services, including training, support and help finding suitable employment if they are able to work.

You can't claim ESA and JSA at the same time, or if you are above state pension age. You might be able to claim Universal Credit at the same time as or instead of ESA. ESA tends to be paid more regularly than Universal Credit.

Universal Credit

People on a low income or without a job may be able to claim Universal Credit to help with living costs.

This benefit has replaced some previous benefits: Income Support, Housing Benefit, Child Tax Credit and Working Tax Credit, as well as older forms of Jobseeker's Allowance and Employment and Support Allowance.

Some of these older benefits continue to pay in certain circumstances, such as for existing claims or people who meet specific criteria.

You can apply for Universal Credit if you:

- are aged 18 or over
- don't have enough money to cover day-to-day living costs
- have less than £16,000 in savings between you and your partner
- are under state pension age.

How Universal Credit works

People usually get one monthly payment to cover living costs. A couple claiming Universal Credit still get one payment to share.

The payment is made up of a standard allowance and extra payments that apply to certain people depending on their circumstances.

You might be able to get extra payments if you:

- look after one or more children
- work and pay for childcare
- need help with housing costs
- are disabled or have a health condition

- are a carer for a disabled person or have a disabled child.

FACTFIND

Check how much you might get if you needed to claim Universal Credit.

Working and getting Universal Credit

You can work and still get Universal Credit. The payment reduces gradually as you earn more. Your Universal Credit goes up if your job ends or you earn less.

Universal Credit v JSA

Claiming both benefits

Now we've covered Jobseeker's Allowance and Universal Credit, a key question remains: can people claim both?

Yes you can, but if you claim both, the amount of your JSA is deducted from your Universal Credit payment. In effect, you won't get as much Universal Credit if you claim both benefits.

Differences between Universal Credit and JSA

- Whether you've worked before or not, you can still claim Universal Credit. If you can't get JSA because you've never worked, you could get Universal Credit instead.
- JSA stops when you're working full-time or you're not looking for full-time work. If you're claiming Universal Credit, the amount you get drops gradually as your hours increase, so it's easier to manage your finances.
- Universal Credit is paid monthly, whereas JSA is weekly because you need to show each week what you're doing to find work.

Child Benefit

Child Benefit is a payment you can claim for your child if they are under the age of 16, or under 20 and in full-time education or approved training.

The amount paid depends on how many children you have.

For households in which one parent earns £50,000 or more, Child Benefit reduces by 1% for every £100 earned over that amount.

FACTFIND

Visit the gov.uk website to find out the current Child Benefit rates.

Go to the course site to complete the activity: Are people eligible for benefits?

Basic state pension

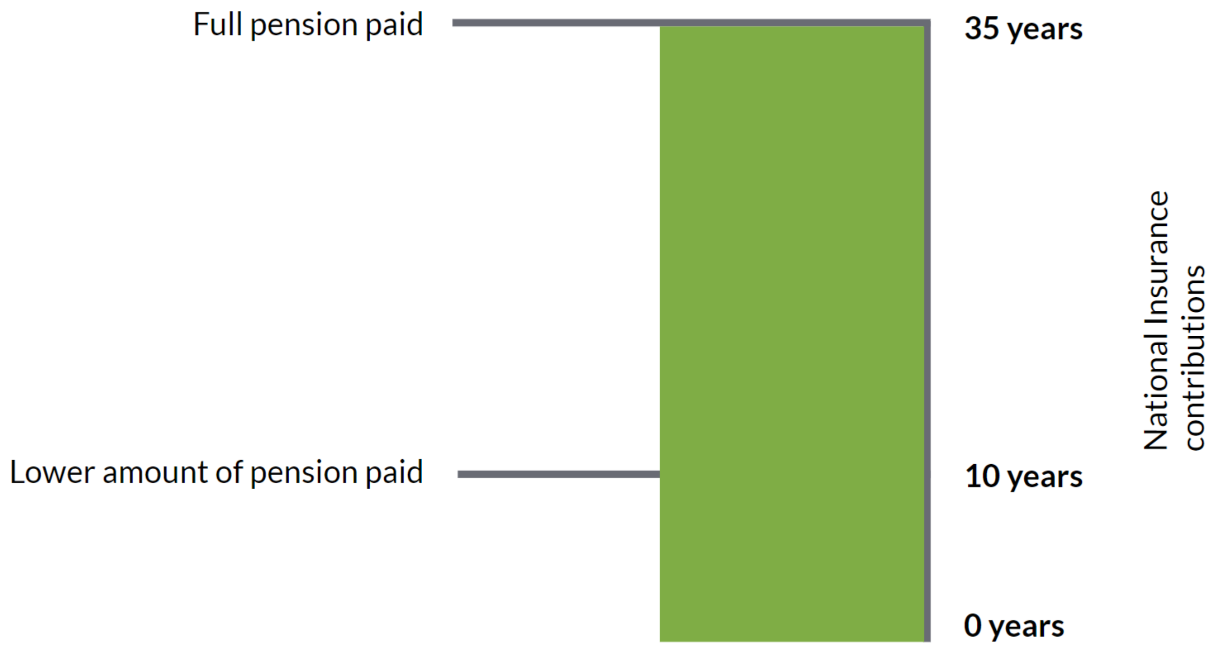
The basic state pension is paid to you by the government when you reach state pension age.

It is based on the number of 'qualifying years' gained through paying NICs.

People retiring after 6 April 2016 receive a flat-rate pension per week. Only individuals who have paid required NICs for 35 years get the full amount.

Anyone with under 10 years' NICs will not receive any state pension.

Carers (who look after others and so do not work) will be credited with NICs.



Auto-enrolment and NEST

The state pension is not large, so people are advised to join a workplace pension scheme too.

In 2009, only half of UK employees were members of their employer's pension scheme. This was not a good situation.

So since October 2012, employers have had to offer a pension scheme to their employees.

All workers who earn above a certain yearly amount are automatically enrolled into that scheme, although the employee can then choose to opt out.

"Welcome to our company. You have been enrolled into our workplace pension!"

The employer and employee both contribute to the scheme during the employee's working life.

Employers who had no scheme could either set one up or enrol their employees into the government's National Employment Savings Trust (NEST).

What is investment income?

If a person has a large sum of money (usually thousands) that they want to put away for a long time, they might get income from this through savings or investments. We look at these later in the course.

Because an investor puts away the money for a long time, they have a wide range of choices:

They can buy shares in a company, so that they own a tiny part of it. If it makes a profit, part of that profit is paid to them.

This income is called **dividends**.

They can buy property and rent it out. This income is called rent.

They can put it in a bank or building society account. Because the investment is large, the investor will earn much more than someone who only saves a small amount. This income is called interest.

Interest is paid on money in any type of savings account, but the higher the amount and the longer for which the money can be saved, the higher the interest paid.

Investment income can be an important source of money, such as for those who are retired and no longer have a wage or salary.

Gifts

Gifts can be a regular additional income, like pocket money from parents, guardians or other family members. Pocket money is sometimes received weekly or monthly.

Gifts can also be irregular income, such as money for birthdays or religious events.

Inheritance

Inheritance is a potential type of income that may be received when another person dies. We cover this later in the course.

Congratulations

You have completed Topic 2a!

Topic 2b will cover:

- What is income tax?
- How does National Insurance work?
- How do we read a payslip?

Topic 2b: How do we calculate income?

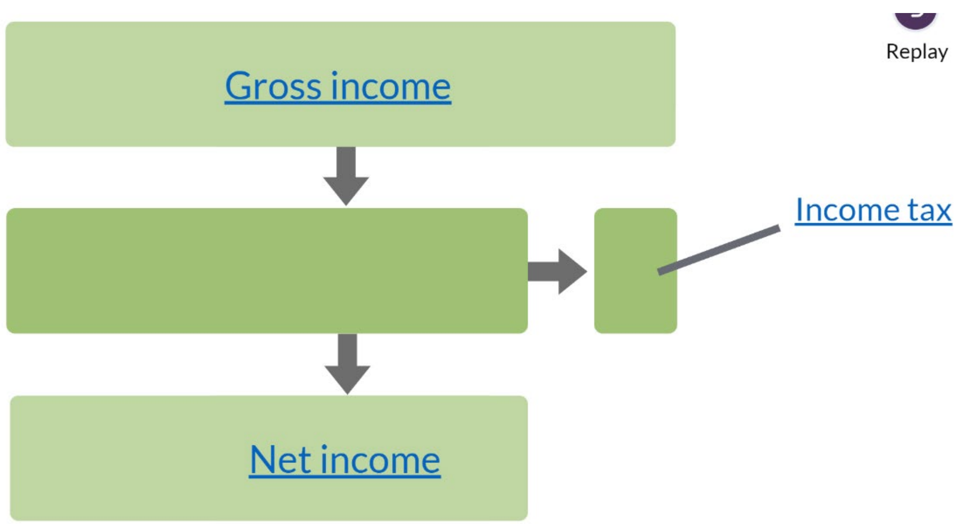
This topic helps you to:

- understand income tax and the personal allowance
- explain National Insurance
- understand how to read a payslip.

What is income tax?

We all have to pay tax on our income. So we have to give part of what we earn to the government.

It is worked out as a percentage of the money that we earn:



The government uses income tax to pay for services that it provides, such as education and health care.

Personal allowance

We don't have to pay tax on *all* of our earnings.

The amount of money to which each person is entitled before paying tax is called the 'personal allowance'.

The personal allowance tends to change each year, usually increasing slightly, though it may be frozen depending on the circumstances in a country, such as due to the Covid-19 pandemic.

FACTFIND

Visit the gov.uk website to find out the latest allowance and income tax bands and rates.

Income minus allowance

Say that Jennifer earns

£X
Example: £20,000

The personal allowance is

£Y
Example: £13,000

Jennifer pays income tax on

£X - £Y
Example: £20,000 - £13,000

Rates of income tax

No income tax is payable up to your personal allowance.

After your personal allowance has been taken off, 20% of your income is taxed up to a certain limit. This is called basic-rate tax.

Income over basic-rate tax is taxed at a higher rate of 40%. There is also an additional rate of tax at 45% for very high incomes.

Go to the course site to complete the activity: Who needs to pay income tax?

National Insurance (NI)

All employees also have to pay NI. NI is a type of taxation that the government uses to fund (for example) Universal credit and basic state pension.

NI is a % of a person's earnings, worked out on how much someone earns over a weekly minimum. People who earn less than the minimum do not pay NI.

NI threshold

Similar to the personal allowance for income tax, there is a threshold for National Insurance, where you don't have to pay any National Insurance contributions (NICs) if you earn less than a certain amount.

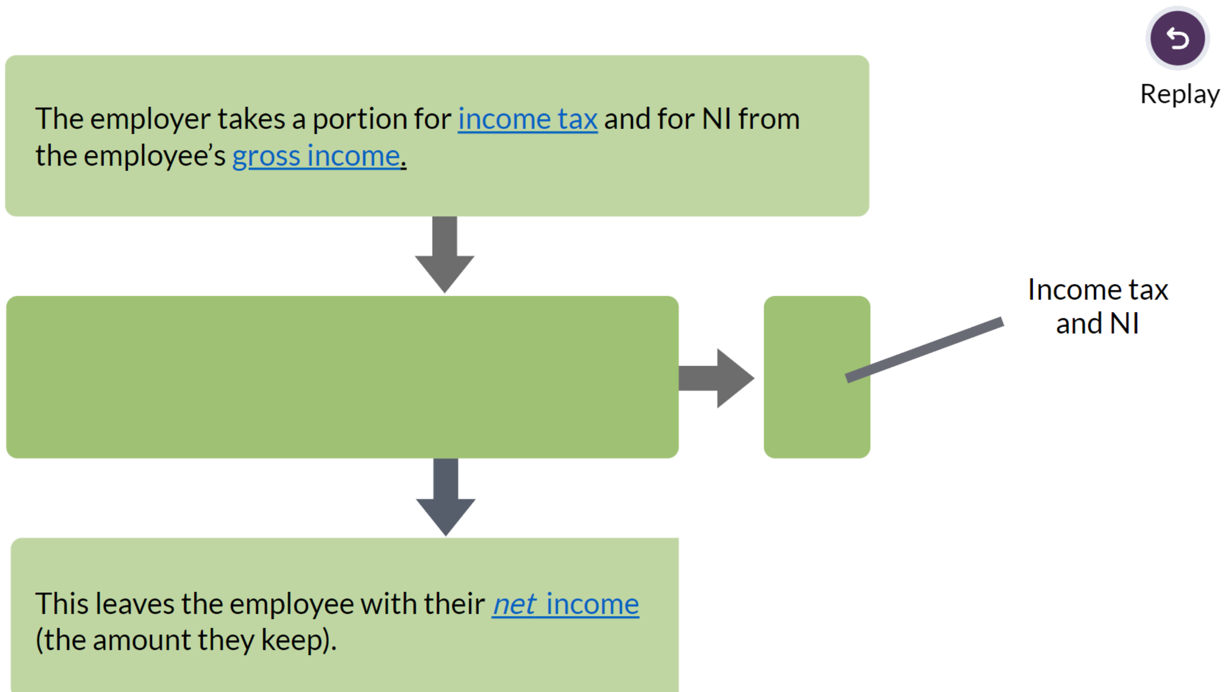
If you earn above the threshold for National Insurance, you pay a percentage of your income as NICs.

FACTFIND

Find out the current Class 1 weekly National Insurance threshold: https://www.gov.uk/national-insurance/national-insurance-classes

Pay as you earn (PAYE)

Employed people pay their tax and NI via a 'deduction' when they are paid.



Payslips

An employer must give each employee a written payslip with details of the pay earned and amounts deducted.

Demi's payslip

Dolby and Crane Limited			**Date: 01/06/20XX**
Payment period		**Payment method**	
01/05/20XX to 31/05/20XX		Credit transfer	
Tax code	**Employee no**	**Employee name**	**NI number**
1100L	26	Demi Morgan	NS102030P
PAYMENTS		**DEDUCTIONS**	
Description	**Amount**	**Description**	**Amount**
Basic salary **T**	1,500.00	PAYE tax	116.67
		NI	98.88
Gross pay	1,500.00	Total deductions	215.55
Net pay	**1,284.45**		
Taxable pay to date	3,000.00	Tax paid to date	233.34
		NI paid to date	197.76
T = taxable			

Tax code

View Demi's payslip

- All employees have a ‘tax code’ that tells the employer how much they can earn before they must start paying income tax.

Dolby and Crane Limited

Payment period

01/05/201X to 31/05/201X

Tax code	Employee no
1100L	26

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- If the employee is paid monthly (12 times a year), the tax code tells the employer to give the employee 1/12th of their personal allowance each month.

Employee number

View Demi's payslip

- Demi is employee no 26 at Dolby and Crane Limited.

Dolby and Crane Limited	
Payment period	
01/05/201X to 31/05/201X	
Tax code	**Employee no**
1100L	26

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- This number is used by the organisation to identify Demi in its payroll system.

Employee name

View Demi's payslip

- Demi's name appears here.

Dolby and Crane Limited		Date: 01/06/201X	
Payment period		**Payment method**	
01/05/201X to 31/05/201X		Credit transfer	
Tax code	**Employee no**	**Employee name**	**NI number**
1100L	26	Demi Morgan	NS102030P

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National Insurance number

View Demi's payslip

- Everyone is issued with an NI number on their 16th birthday. People keep this NI number for the rest of their lives.

Employee name	NI number
Demi Morgan	NS102030P

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- It works like a personal account number with the government. This account records all of the tax payments and NI contributions (NICs) that people make.

- National Insurance numbers are made up of two letters followed by six numbers and one letter.

View Demi's payslip

The payslip gives the following information about the amount of money being paid to Demi.

Payments

View Demi's payslip

Employers list here all of the payments that they are making.

- **Basic salary:** This is the amount of Demi's salary for this month. Demi earns £18,000 a year:

£18,000 ÷ 12 = £1,500

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PAYMENTS	
Description	**Amount**
Basic salary **T**	1500.00
Gross pay	1500.00

NEXT

Payments (cont'd)

View Demi's payslip

- **Gross pay:** This figure shows Demi's gross (total) earnings this month – the amount of her earnings before Dolby and Crane deducts income tax and NICs. The 'T' shows that this amount is taxable.

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PAYMENTS	
Description	**Amount**
Basic salary **T**	1500.00
Gross pay	1500.00

NEXT

Payments (cont'd)

View Demi's payslip

- **Net pay:** This figure shows Demi's earnings after Dolby and Crane has made deductions for income tax and NICs. This is the amount of money that will go into her bank account on 1 June 201X:

£1,500 – £215.55 = £1,284.45

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Net pay	**1,284.45**
Taxable pay to date	3,000.00

NEXT

Payments (cont'd)

View Demi's payslip

- **Taxable pay to date:** This figure shows Demi's total taxable pay for the tax year so far. The tax year starts in April. This is the pay for May, so Demi has received two months' salary this tax year: for April and for May. So the amount shown is her basic monthly salary multiplied by 2.

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Net pay	**1,284.45**
Taxable pay to date	3,000.00

NEXT

Finally, the payslip offers the following information about deductions made by Demi's employer.

Deductions

View Demi's payslip

- **PAYE tax:** As a pay-as-you-earn (PAYE) employee, Demi's income tax is paid on her behalf directly from her month's salary. She is paying the income tax as she earns the money, rather than paying one big tax bill at the end of the tax year.

  In this month, the payroll computer calculated her tax as £116.67.

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DEDUCTIONS	
Description	**Amount**
PAYE tax	116.67

NEXT

Deductions (cont'd)

View Demi's payslip

- **NI:** This figure shows the NICs made on Demi's behalf this month. The payroll computer worked this out to be £98.88.

NI	98.88
Total deductions	215.55

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- **Total deductions:** The total amount that Dolby and Crane is taking off Demi's gross pay this month:

£116.67 + £98.88 = £215.55

Deductions (cont'd)

View Demi's payslip

- **Tax paid to date:** The total PAYE tax paid on Demi's behalf this tax year. On this payslip, it is the tax amount for two months:

£116.67 x 2 = £233.34

Tax paid to date	233.34
NI paid to date	197.76

BACK NEXT

- **NI paid to date:** The total amount of NICs paid on Demi's behalf in this tax year. On this payslip, it is the NICs for two months:

£98.88 x 2 = £197.76

Employers must give employees payslips at the time, or just before, they are paid.

Where Demi works, payslips are delivered by the mailroom in envelopes marked 'Private and Confidential'.

A payslip must include:

- the gross amount of earnings
- reasons for and amounts of all deductions
- net amount of earnings
- how the earnings are being paid.

Go to the course site to check your understanding of the numbers on Demi's payslip.

Congratulations

You have completed Topic 2b!

Topic 2c will cover:

- Why and where might we sell items to make money?
- How does an online auction work?
- What are the costs of selling?

Topic 2c: What is selling?

This topic helps you to:

- understand how selling can help with saving money
- find out where to sell unwanted items for money
- understand how to sell items sensibly.

Why might we sell items?

Selling is when we exchange items for money.

Selling something that we no longer want is one way to make money.

We might have outgrown an item.

Jada is too big for the bike she rode as a child.

We might not want an item any more.

Ali got a new speaker system, so he doesn't need his old one.

We might own an item we never wanted.

Shaun got a Blu-ray for his birthday that he does not really like.

Saving up

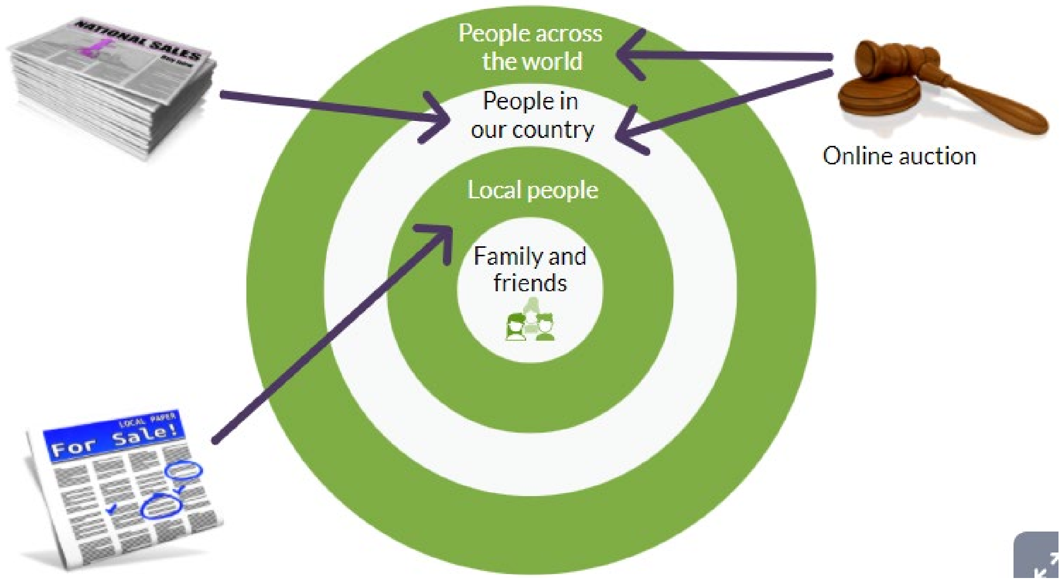
Selling items we no longer want can increase our income.

We might not make lots of money, but we can add what we do make to our savings.

Or, depending on your attitude to spending (covered soon in this unit), you might spend the extra money that you make.

Where can we sell items?

We can sell unwanted items in many places to different groups.



Online auctions

A popular way of selling for adults is online.

An auction on a website (such as eBay) lets people across the country and the world see your item.

An **'auction'** is where people can offer to pay an amount of money for an item. This is called **'bidding'**.

"I'll pay £20 for it"

"I'll pay £30"

The person who bids the most money buys the item.

How does an online auction work?

A second-hand item is worth what people are willing to pay for it.

On an online auction site, you can search for similar items before listing your own.

Go to the course site to complete the activity: How does an online auction work?

Other ways of selling

Car boot and garage sales

People can meet to sell items out of their car at a car boot sale, or from their garage whenever they want.

Tania goes to the local car boot sale every month to find bargains.

"I get to take a closer look at the items I like"

Online marketplaces

Online marketplaces (such as Gumtree) let sellers advertise their items for free. Buyers can offer a price they think is fair.

Cash for gold

Many businesses buy old jewellery that contains gold. The price they pay is quite low.

They melt the jewellery to get the pure gold, so they are not interested in how pretty the jewellery is.

Someone who is interested in the jewellery itself will pay a higher price.

Yolanda sells an old bracelet to a gold buyer that advertises on TV.

The gold buyer pays her £10.

Ling sells a similar bracelet to a high-street jeweller for £35.

Yolanda

Ling

Cash converters

If you need cash urgently, a cash converter will buy an item from you such as clothes or DVDs/Blu-rays.

The price paid will be quite low.

Recycling mobile phones

Some companies will buy your old mobile phone, repair it if necessary, then sell it to people second-hand.

What are the costs of selling?

However you choose to sell an item, remember you may have to pay costs.

Advertising in a newspaper sometimes costs money.

There is an entrance fee to sell items at a car boot sale.

Online auction websites deduct fees from the price a buyer pays.

Cash converters and gold buyers will pay less than the item is worth.

This is a ‘cost’ because you could make more money by selling the item another way.

Go to the course site to complete the activity: What are the costs of selling?

Congratulations

You have completed Topic 2!

Complete the end-of-topic quiz and activity to expand your learning for this topic.

Topic 3a: What is spending?

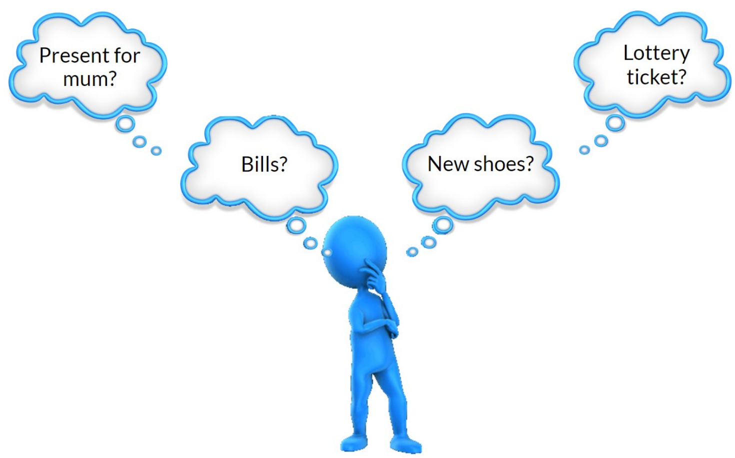
This topic helps you to:

- understand which types of spending are essential (needs)
- understand which types of spending are non-essential (wants)
- recognise different attitudes to spending
- think about prioritising different types of spending.

How do we choose to spend money?

Spending is paying for things with our money.

We choose how to spend based on what is important to us.



Taking care of needs before wants

When spending money, first we must take care of our basic needs.

Katrina needs to eat every day, plus pay her monthly rent and bills.

If we have money left over, we can spend it on our wants: things that we don't need, but would like to have.

Katrina wants to go out to the cinema with her friends once a week.

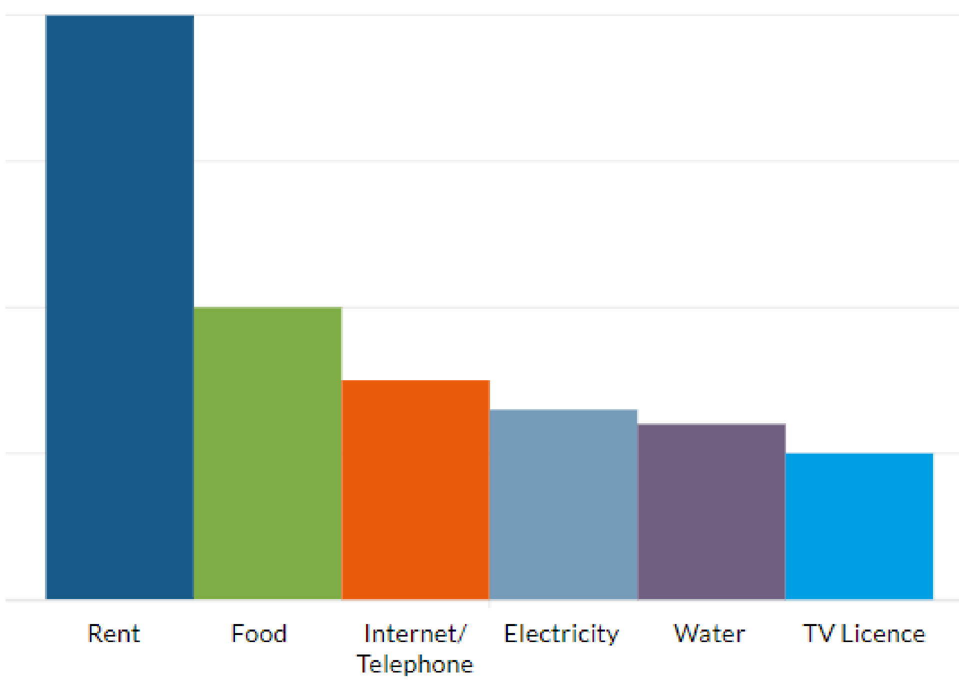
As she has money left over, Katrina can spend money on her wants as well as her needs.

Essential v non-essential spending

‘Essential’ spending is on items for which you *must* pay.

People who rent or own a home must pay for many essential items regularly.

Katrina’s essential spending for her rented home includes:



There are negative consequences if essential bills are not paid.

‘Non-essential’ spending is on wants.

You might *want* to go swimming, but it is essential to pay your electricity bill first.

Go to the course site to complete the activity: Essential v non-essential spending.

Attitudes to spending

Different people have different attitudes to spending.

Some people like to spend little and save a lot.

Other people spend their money as soon as they get it.

Whatever your approach to spending, you must think about what you need to spend money on before you buy the things you want.

This is an important skill in managing your money.

Go to the course site to complete the activity: Attitudes to spending.

Prioritising

To 'prioritise' means to put things in order of their importance.

When spending, we must prioritise our essential purchases ahead of those that are non-essential.

Katrina prioritises her spending

Katrina prioritises her household bills over her trips to the cinema.

Go to the course site to complete the activity: Prioritising.

Congratulations

You have completed Topic 3a!

Topic 3b will cover:

- What is budgeting?
- What are the differences in budgeting over the shorter and longer term?
- What does it mean to get value for money?

Topic 3b: Budgeting and value

This topic helps you to:

- understand what budgeting is and how to budget
- think about how checking bank statements helps you stick to a budget
- understand why budgets might need to change
- explain what value for money means.

What is budgeting?

We need to 'budget' to manage our money. A budget is a plan of our income and our expenditure over a certain period of time.

This means planning ahead so:

- we do not run out of money; and
- we have enough to do what we want to do.

Income and expenditure

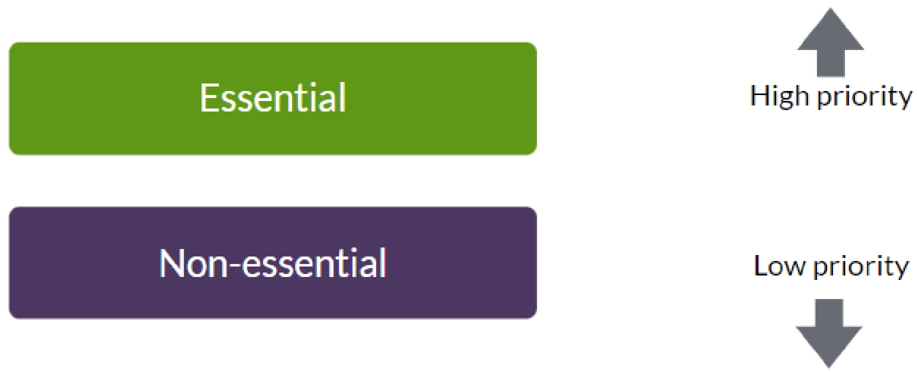
To start budgeting, you need to know two key things:

- Your income over a certain period.
- How much you need to spend over the same period – your expenditure.

Budgeting is also about priorities.

Your *essential* expenditure must be prioritised first.

Then you can see how much money is left to spend on non-essential items.

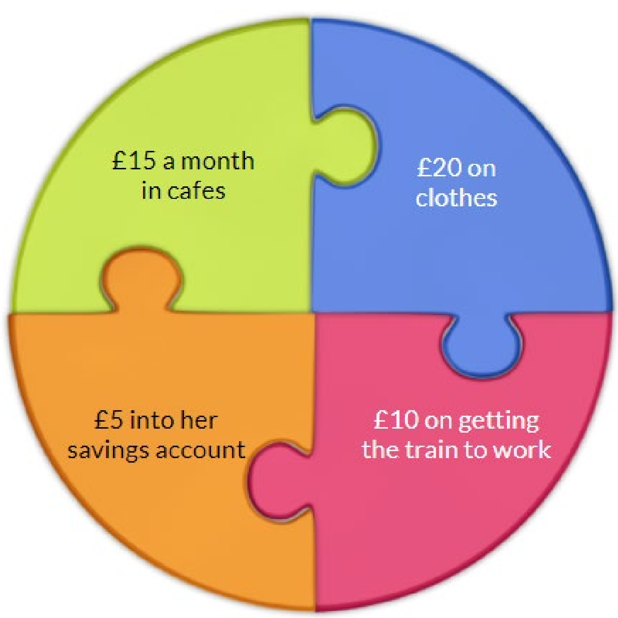


Short-term budgeting

A short-term budget lets you plan your spending over one week or month.

Jada lives with her parents. Her monthly income is £50 from her Saturday job.

Jada budgets for the following expenditure:



So Jada's total expenditure is £50. She has budgeted to use all of her income each month.

Jada's only essential expenditure is the £10 for the train.

Without travelling to work, she can't earn her £50 a month.

By budgeting for the items she wants out of the leftover £40, Jada manages her monthly income.

Example short-term budget

To budget, list your income and expenditure so you can see what will be left after each week.

Let's take Jada as an example.

Example short-term budget

	Week 1(£)	Week 2(£)	Week 3(£)	Week 4(£)
Starting balance	0	43.75	27.50	16.25
Income				
Wages	50	-	-	-
Total income	50	-	-	-
Expenditure				
Cafe	3.75	3.75	3.75	3.75
Clothes	-	10	-	10
Savings	-	-	5	-
Train fare	2.50	2.50	2.50	2.50
Total expenditure	6.25	16.25	11.25	16.25
Balance	43.75	27.50	16.25	0

The starting balance is what Jada has at the start of each week.

	Week 1(£)	Week 2(£)	Week 3(£)	Week 4(£)
Starting balance	0	43.75	27.50	16.25
Income				
Wages	50	-	-	-
Total income	50	-	-	-
Expenditure				
Cafe	3.75	3.75	3.75	3.75
Clothes	-	10	-	10
Savings	-	-	5	-
Train fare	2.50	2.50	2.50	2.50
Total expenditure	6.25	16.25	11.25	16.25
Balance	43.75	27.50	16.25	0

The balance is what Jada has left at the end of each week.

	Week 1(£)	Week 2(£)	Week 3(£)	Week 4(£)
Starting balance	0	43.75	27.50	16.25
Income				
Wages	50	-	-	-
Total income	50	-	-	-
Expenditure				
Cafe	3.75	3.75	3.75	3.75
Clothes	-	10	-	10
Savings	-	-	5	-
Train fare	2.50	2.50	2.50	2.50
Total expenditure	6.25	16.25	11.25	16.25
Balance	43.75	27.50	16.25	0

In Week 1, the balance is Jada's total income minus her total expenditure.

	Week 1(£)	Week 2(£)	Week 3(£)	Week 4(£)
Starting balance	0	43.75	27.50	16.25
Income				
Wages	50	-	-	-
Total income	50	-	-	-
Expenditure				
Cafe	3.75	3.75	3.75	3.75
Clothes	-	10	-	10
Savings	-	-	5	-
Train fare	2.50	2.50	2.50	2.50
Total expenditure	6.25	16.25	11.25	16.25
Balance	43.75	27.50	16.25	0

In the other weeks, it is her starting balance minus her total expenditure.

	Week 1(£)	Week 2(£)	Week 3(£)	Week 4(£)
Starting balance	0	43.75	27.50	16.25
Income				
Wages	50	-	-	-
Total income	50	-	-	-
Expenditure				
Cafe	3.75	3.75	3.75	3.75
Clothes	-	10	-	10
Savings	-	-	5	-
Train fare	2.50	2.50	2.50	2.50
Total expenditure	6.25	16.25	11.25	16.25
Balance	43.75	27.50	16.25	0

At the end of Week 4, Jada's balance is zero: she has budgeted to use all of her money for the month.

	Week 1(£)	Week 2(£)	Week 3(£)	Week 4(£)
Starting balance	0	43.75	27.50	16.25
Income				
Wages	50	-	-	-
Total income	50	-	-	-
Expenditure				
Cafe	3.75	3.75	3.75	3.75
Clothes	-	10	-	10
Savings	-	-	5	-
Train fare	2.50	2.50	2.50	2.50
Total expenditure	6.25	16.25	11.25	16.25
Balance	43.75	27.50	16.25	0

Then she goes back to Week 1, when she will earn another £50 from her Saturday job.

	Week 1(£)	Week 2(£)	Week 3(£)	Week 4(£)
Starting balance	0	43.75	27.50	16.25
Income				
Wages	50	-	-	-
Total income	50	-	-	-
Expenditure				
Cafe	3.75	3.75	3.75	3.75
Clothes	-	10	-	10
Savings	-	-	5	-
Train fare	2.50	2.50	2.50	2.50
Total expenditure	6.25	16.25	11.25	16.25
Balance	43.75	27.50	16.25	0

Go to the course site to complete the activity: Short-term budgeting.

Checking bank statements

Jada's budget is quite simple, because she lives with her parents and has no direct debits or standing orders. We cover these payment types and bank accounts later in this unit.

People who make regular payments out of their account need to check their bank statement, which may be on their mobile banking app, to stay on track.

An online bank statement will show two different balances.

The *balance* is the amount you have in the account **now**.

The *available balance* is what will be available to withdraw **after** upcoming debits.

To work out what we have left, we must include debits that are about to be taken.

Chi's account

Chi is running low on money near the end of the month. He checks his online statement and his balance is £20.

Chi withdraws the £20 to spend on food and shopping.

A few days later, Chi finds out that a direct debit was about to be taken from his account for £20.

So his available balance was actually zero when he withdrew the £20.

Go to the course site to complete the activity: Checking bank statements.

Putting it all together

In our example, Chi would have remembered the £20 direct debit if he had budgeted at the start of the month.

For the next month, he draws up a short-term budget to manage his money better.

He budgets so that his starting balance in Week 4 will be £30.

Chi's budget

	Week 4 (£)
Starting balance	**30**
Expenditure	
Lunch	5
Travel to work	5
Direct debit	20
Total expenditure	**30**
Balance	**0**

As Chi gets to Week 4, he checks his online bank statement to make sure everything is on track.

His balance is £30 as planned.

His available balance is £10, also as planned.

What happens when things change?

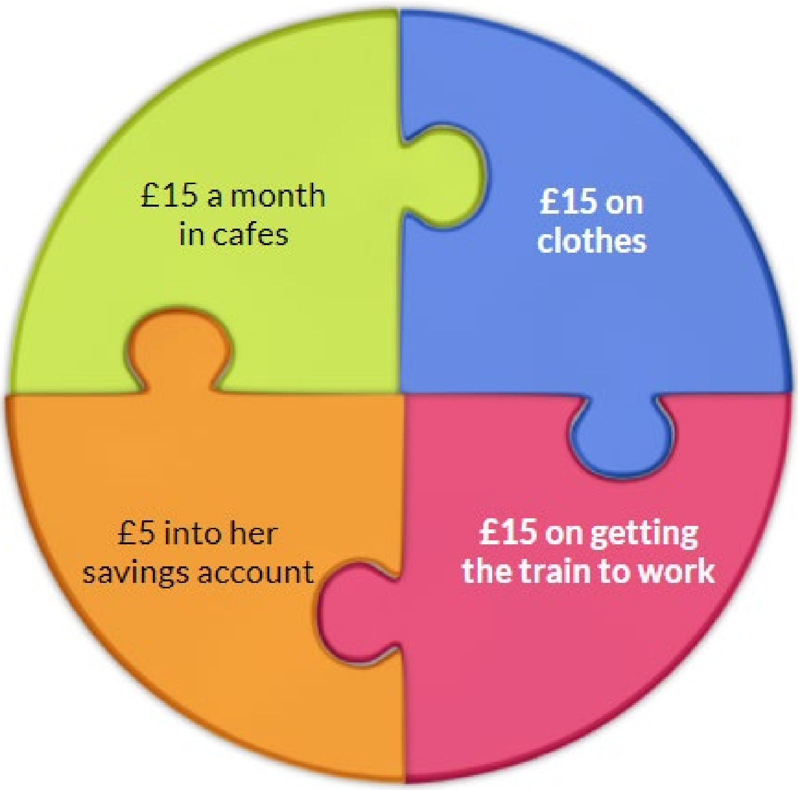
Budgeting for our income and expenditure means we can adapt if something unexpected happens.

Remember Jada? She budgeted to spend £10 per month on her train fares to work.

Her train fare rises to £15 a month.

Looking at her budget, she knows she needs to free up an extra £5.

She changes her budget so that she spends £15 on clothes, instead of £20.



Jada has prioritised her other expenses over buying new clothes. Her budget is now up to date.

We need to update our budget in this way if anything changes.

Medium-term and long-term budgeting

We need to budget for the medium and long term when we set financial goals, such as:

Saving up to go on holiday

Paying for a car or a home

Saving for a pension when we retire

The idea is the same as for short-term budgeting, but extended over many months or even years. A budget for the medium term may be for a few months or a couple of years, whereas long-term budgeting is about planning over many years, such as to buy a new car or to save for a deposit on a new home.

Go to the course site to complete the activity: Max's budget.

Value for money

A big concern for most types of spending is getting value for money.

This does not always mean getting something at the cheapest price.

In fact, buying the cheapest item might lead to a 'false economy'.

Example

Jules buys a new wireless speaker at CHEAPO GOODS.

But the sound is tinny and the speaker breaks the following month.

Jules doesn't want a replacement of the same wireless speaker, because it was poor quality. So he buys a more expensive one instead.

This is a **false economy** because Jules thought he was saving money by buying the cheaper player, but he ended up spending more!

Another false economy could be a 'buy one get one free' offer, if you don't really need the extra item.

Is buy one get one free worth it?

"Two packets of prawns for £5!"

Jules takes advantage of the offer. However, he doesn't get to eat the second packet of prawns before they reach their use-by date.

He could have bought one packet of prawns for £3.50 from the shop across the road.

So what *is* value for money about?

Quality

How well is it made? Or how good does it taste?

Quantity

How much are you getting for your money?

Convenience

How easy is it to find?

Price

Is it cheaper to buy in a larger quantity? Do you need the larger quantity?

Suitability

Is it what you need? Does it do the job you want it to do?

How long it lasts

Is it a 'throwaway' item, or does it need to last longer?

What it looks like

Is it nicer-looking or a better colour than the cheaper option?

How it makes you feel

Sometimes you want to treat yourself!

Flexibility

Can it be used to do the job of two different products?

Price comparison and shopping around

Shopping around in many places is key to getting value for money.

It also means you can compare prices of the same item in different stores, such as a certain toaster or a specific pair of shoes.

Example

It is your friend's birthday and she wants a particular mobile phone case as a present from you. It is **£14.99** in a local store.

You are sure you saw it for £12.99 in the out-of-town supermarket, but the bus fare to get there and back is £3.

You can also find it online for £11.99. However, the postage is £2.49.

By going to the out-of-town supermarket, the mobile phone case will cost you:

£12.99 + £3 = **£15.99**

Buying it online will cost you:

£11.99 + £2.49 = **£14.48**

By shopping around, you know it will be cheapest for you to buy the mobile phone case online.

Loyalty cards

A lot of stores offer plastic loyalty cards that give you points on everything you buy there. You can use points to get money off your bill or exchange them for free gifts.

This is useful if you spend a lot at one particular shop, but it can also put you off shopping around.

Saanvi

Saanvi does her weekly family shopping at SuperMart. When Saanvi pays, the cashier scans her Super Loyalty Card. For every £1 she spends she earns 1 point.

The points add up, and SuperMart sends Saanvi vouchers based on the points she has collected. She can save £1 on her shopping for every £100 she spends at SuperMart.

What are hidden charges?

If you shop online or by phone, the price you see advertised is not always the total cost.

Before you confirm your order, you need to know any extra costs you may have to pay.

Look carefully at the total price – is the item still the bargain it seemed to be?

Greg

Greg is browsing the store of online retailer Rainforest. He sees a shaving kit for £12.99 and adds it to his basket.

But on the checkout screen he spots a charge for postage and packing. This increases the total price to £15.98.

Smartphone apps often charge for in-app purchases.

When Zack wins a race on the free app Zoom Racers, he is given a choice:

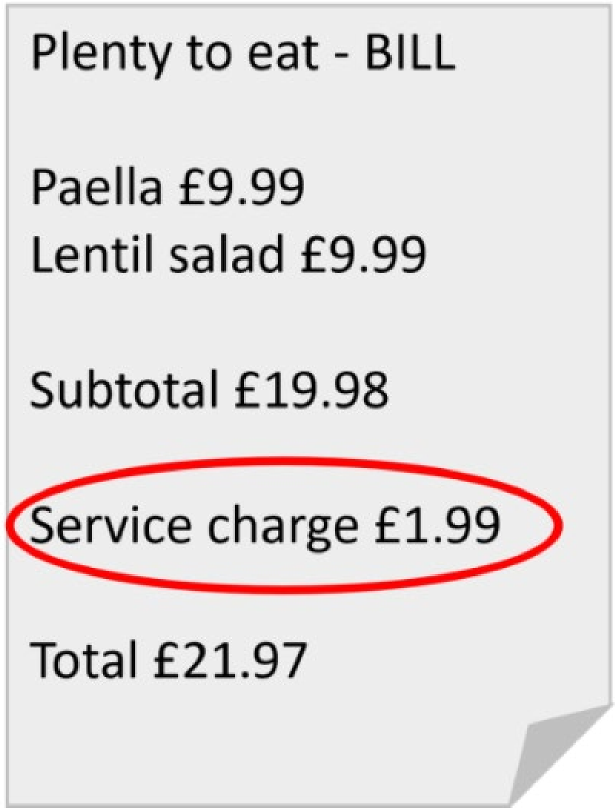
Costs of in-app purchases may seem small but can quickly add up.

Restaurants often add a ‘service charge’ to the bill.

You might pay only £19.98 for two main courses, but the bill might add a 10% service charge.

A service charge is meant to be for the waiting staff but it is not always paid to them.

If a restaurant charges for service, this must be stated before diners get to their table, such as on the door, as well as on the menu.



Congratulations

You have completed Topic 3!

Complete the end-of-topic quiz and activity to expand your learning for this topic.

Topic 4a: Storing money

This topic helps you to:

- understand the places where money can be stored
- explore the advantages and disadvantages of each.

What is storing money?

We do not always spend all of our money.

We can store what is left over, and there are different ways to do this.

Chloe stores her money

Chloe works at weekends and earns £30. She spends £20 each week and has £10 left over.

She needs to find somewhere to store her money safely.

Where can we store cash in a house?

An obvious place to store physical money, ie cash, is where we live.

Where might be the safest place to hide cash in a house?

Under the bed?

In a locked box?

Under the floorboards?

There are problems with storing cash in these sorts of places unless it is small change.

Chloe hides her money

Chloe puts £10 under her bed. Three weeks later, she has forgotten where she put it!

Cash left in a house can be forgotten, mistakenly thrown away, or stolen by burglars.

A locked box, for example, is no problem for a burglar. They can steal the box and find a way to open it later.

Should we carry our cash with us?

We might also think about keeping our cash with us at all times:

In a jacket pocket?

In a purse, bag or wallet?

But in reality, we only need to carry a certain amount of cash at any one time. More and more transactions are electronic (using contactless payment cards, for example), which limits people's need to carry cash.

Go to the course site to complete the activity: Where might we store money?

Go to the course site to complete the activity: Who can store our money for us? This includes information on banks, building societies and credit unions:

A safe way to store your money is to ask a **bank**, **building society** or **credit union** to look after it.

There are also other types of providers that are specific to a person's religion.

These organisations can all store money for you, after you open an 'account' with them. The money is stored as an electronic balance.

Banks

A bank looks after your spare cash, but uses these money 'deposits' to lend to people who want loans.

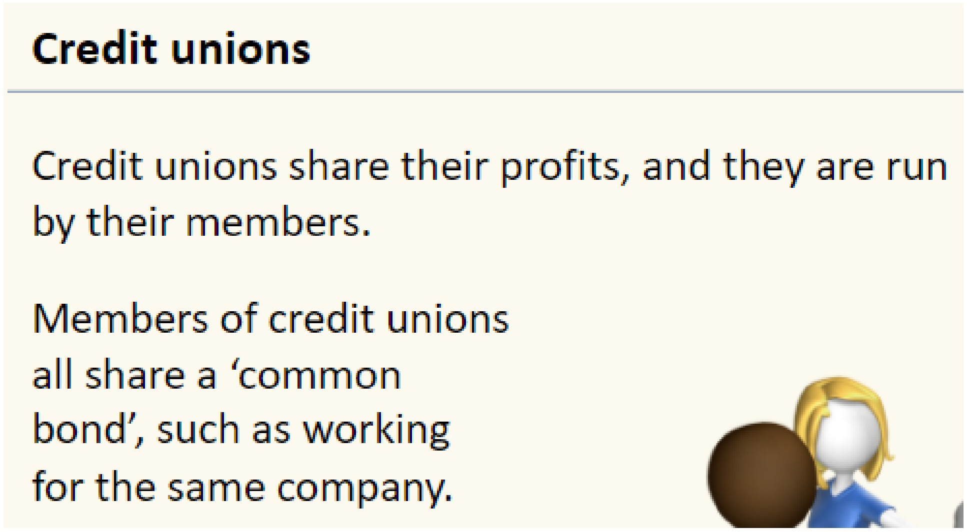
Most banks have 'branches' across the country, where people can use their services. There are also banks available online only. These banks do not have branches, so the accounts are all opened online.

Can you think of any limits to these types of banks?

Building societies

A building society, like a bank, takes deposits from savers and lends money to borrowers.

But building societies share their profits with account holders.



How we know our money is safe

Because banks, building societies and credit unions store our money electronically, it is much harder for the money to be lost or stolen.

But what if they go out of business?

Your money is still safe.

The [Financial Services Compensation Scheme (FSCS)] covers people's money held in an [account] up to a specific large amount.

FACTFIND

Explore the [FSCS website] to find out how much money is protected.

Congratulations

You have completed Topic 4a!

Topic 4b will cover:

- What bank accounts can we use to manage our money?
- What methods are available to pay other people?
- How do we deposit and withdraw money and keep track using statements and apps?

Topic 4b: Bank accounts

This topic helps you to:

- understand what a current account is and how it works
- understand how to make payments safely from an account
- know about depositing and withdrawing money and checking statements
- consider methods to make regular and other payments.

PLEASE NOTE:
From now on, we use 'bank' and '**bank account**' as general terms.
But this also covers building societies and credit unions.

What accounts can we use?

When you open an account, you become a customer of the organisation.

Savings accounts

A savings account lets your money grow by earning interest. In the next topic we'll see that this is what Chloe chooses to do.

Current accounts

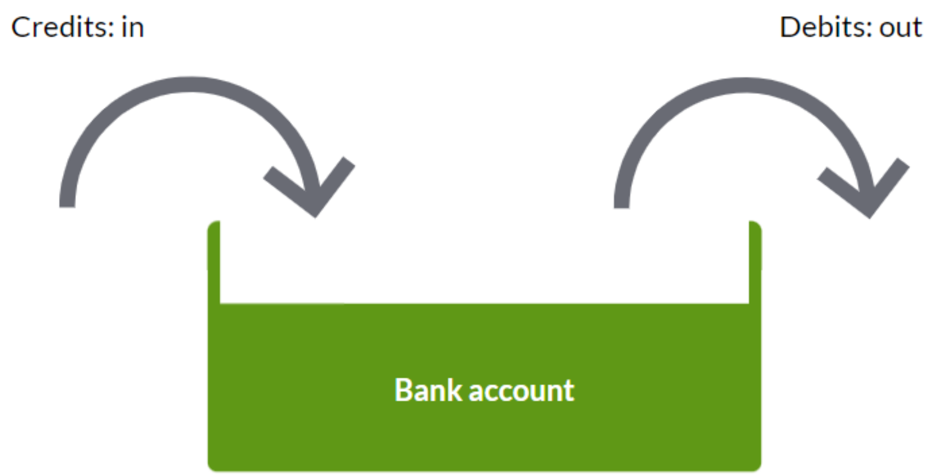
A current account lets us store and manage the money we use every day. The money is stored electronically.

You can:

- take out money you need as cash
- pay money out using your debit card, including contactless payments
- pay in more money when you want
- set up automatic payments for regular bills.

When money is paid **in**, this amount is a **credit**.

When money is taken **out**, this amount is a **debit**.



Young person's account

A current account is for people aged 18 and over. Teenagers aged 15–17 can open a young person's account.

A young person's account lets you:

- store your money
- check and withdraw your money from an ATM (cash machine)
- receive wages from a job.

Some young person's accounts come with a debit card, which is a feature of current accounts. A debit card lets you pay for things in shops, restaurants, and so on.

Basic bank account

A basic bank account is for those aged 18 and over. It is like a current account but with fewer features.

Over a million adults in the UK have no current account. A basic bank account is designed for these people, who may be less confident with managing money.

A basic bank account does not have an overdraft, which is a type of borrowing where you take out more money than is in the account. This means that with a basic bank account, you can't spend more money than you have available.

Sort code and account number

When you open a bank account, it has:

- a **sort code**, which identifies the bank and the branch where you opened the account; and
- an **account number**, which is eight digits and unique to you.

Example

Sort code: 76-54-32

Account number: 12345678

Every account number is different. Everything to do with your account has your number on it.

Debit cards

Debit cards are plastic cards used to make payments out of your account. You can use a debit card in shops and on the internet to buy items and services.

Chip and PIN

Most cards have ‘chip and PIN’, a type of security to keep your money safe.

A PIN is your **p**ersonal **i**dentification **n**umber: four digits that you choose and tell nobody else.

To buy something expensive with your card, you put it in the shop's **card reader** machine.

The machine reads the information on the card's chip, including your account number.

You enter your unique PIN, then the card reader tells your bank to pay for the item from your account.

Chip and PIN means that if someone else tried to use your card, they would not be able to without knowing the PIN.

Contactless cards

With contactless cards, a person only needs to touch the card's contactless symbol on a card reader to pay for items up to a specified limit.

The limit has increased a few times as people find contactless payments convenient. It makes payment simpler for smaller items, as the customer is not always asked for their PIN.

Lots of smartphones can also be set up for contactless mobile payments using apps and 'near field communication' technology. The phone becomes like a contactless card by using the person's bank details.

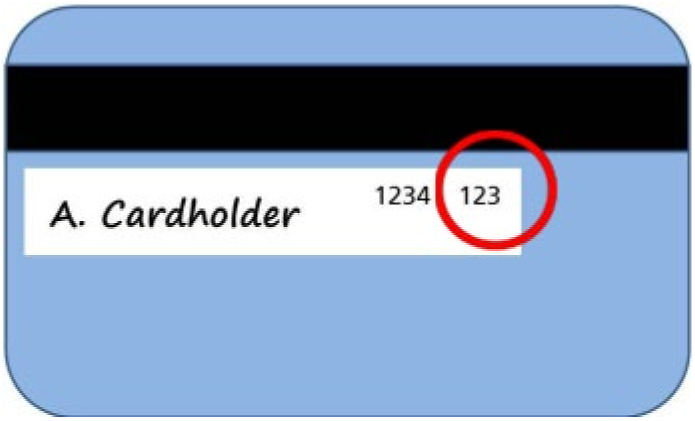
Do contactless payments mean less security?

What do you think? Are you happy to pay for items this way? How high do you think the limit on contactless payments should be?

What about buying on the internet?

To buy online, you need to enter many different numbers from the debit card.

This includes a three-digit security number on the signature strip on the back of the card.



You may also be asked to enter a chosen memorable word or digits from a security code sent by your bank. This is part of **strong customer authentication** that helps to ensure the person using the card is actually the cardholder.

In this way, you are providing multiple pieces of 'evidence' that you are the cardholder before the online payment is authorised.

How do we deposit and withdraw money?

Automated teller machine (ATM)

An ATM lets us withdraw money from our account when we need it.

ATMs are found in bank branches, outside of banks and in some shops.

We insert a debit card and enter our PIN to prove the account is ours, then we choose how much money to take out.

Some ATMs also let us deposit (ie pay in) cheques, which are written instructions to pay money from one account to another.

Go to the course site to complete the activity: How to use an ATM.

In branch

If our bank has a local branch, we can go there to talk to a cashier at the counter and use our card to pay in and withdraw money.

Lots of banks also have deposit machines, to pay in cash or cheques without a cashier.

How do we pay other people?

Lots of payments that we need to make will be regular.

Bills for electricity may be monthly.

Water bills might be every three or six months.

Direct debits

A ‘direct debit’ is an instruction to your bank to let a company collect money from your current account.

The amount debited can change.

Sunil sets up a direct debit to pay his Power PLC bill on the 15th of each month

↓

From January to March, Power PLC debits £60 per month from Sunil's account

↓

From April to July, the weather warms up and Sunil uses less electricity to heat his house

↓

Power PLC changes the amount of the direct debit, taking £40 per month from April to July

The **direct debit guarantee** means that if your bank, or the person you are paying, debits too much money by mistake, you can report it and get your money back straight away.

Standing orders

A standing order is similar to a direct debit, but the amount paid per month is always the same. The amount paid is controlled by the person who is paying from their current account.

If you wanted to save £50 a month into your savings account, you might set up a standing order.

Go to the course site to complete the activity: Direct debit or standing order?

Cheques

Most money is now paid and received electronically, but paper cheques are still useful when payment can't be made by debit card.

Some shops and traders do not have card readers.

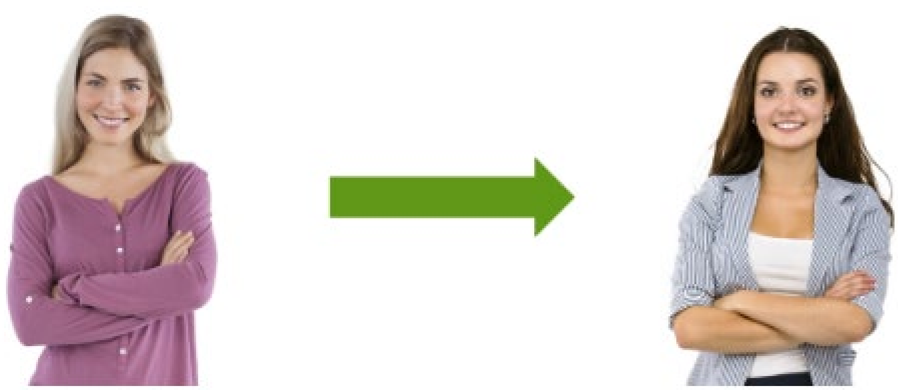
Birthday cheque

Sarah wants to send her sister Catherine £20 for her birthday.

She does not want to send cash, because it might get lost in the post. She could use a banking app but wants something physical to send as a gift.

So Sarah writes a cheque to Catherine for £20.

When Catherine deposits it, £20 will be debited from Sarah's account and credited to Catherine.



How to write a cheque

This cheque belongs to Sarah Holmes.

It shows her sort code and account number, plus a unique number for this cheque (300061).

The part of the cheque to the left of the dotted line is for Sarah's records. It is the 'stub'. When she gives the cheque to her bank, she will tear off everything to the right of the stub.

To write the cheque for £20 to her sister Catherine, Sarah has to fill out the blank parts.

She writes today's date, '12th February 20XY'.

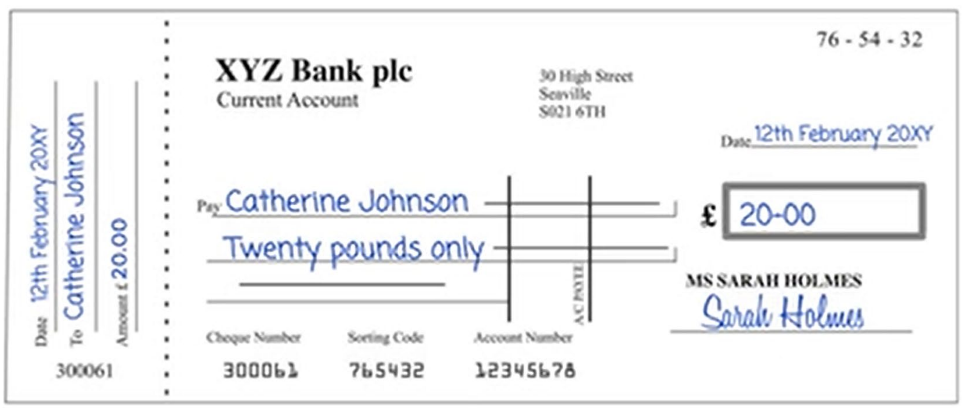
She writes Catherine's full name on the 'pay' line.

She writes the amount of money (£20) she wants to pay as both words and numbers. This means there is no confusion about the amount.

Sarah writes 'only' after the amount in words, and puts a line through the rest of the space. This means no one can add to what she has written.

Sarah signs the cheque, using the same signature that is on her debit card and that her bank has on file.

Finally, Sarah fills out the stub for her records.



Mobile app payments

A popular modern method of payment is using mobile apps. You can make payments to other people and companies by knowing their sort code and account number.

Depending on the bank, payments can also be made simply by knowing the person's phone number or by using a specific weblink.

There may be limits on how much you can send to another person and how often, as banks try to keep you safe.

Payments like this are quick and secure if you keep your details safe.

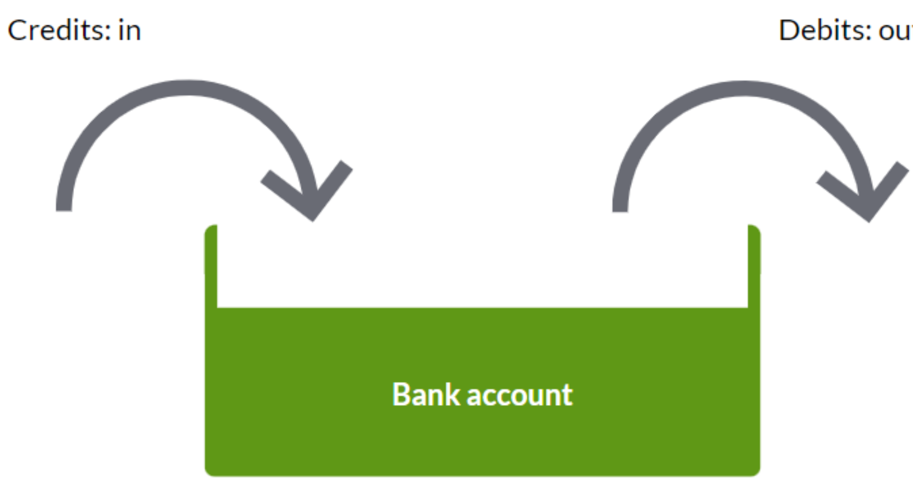
Example: payment via weblink, managed by app

https://monzo.me/

How do we keep track of our money?

A bank statement lists:

- all the debits out of your account (money you withdraw, payments for bills and items).
- all the credits into your account (money you pay in, earnings from employment).



With internet banking or a mobile banking app, you can check your statement at any time.

Statements can also be sent to you on paper if needed.

When you use an ATM, you can get a mini-statement that shows only the last few transactions.

Example mini-statement

Description	Paid in	Paid out
Direct debit	-	£28.50
Credit	£120.00	-
Standing order	-	£76.00

Statements help us keep track of the money in our account.

We can see when we are low on money, and check that payments are being debited and credited as expected.

Checking your statement gives you peace of mind.

If you don’t recognise any of the payments into or out of the account, you must tell your bank.

Go to the course site to complete the activity: Penny and Mario’s bank statements.

Congratulations

You have completed Topic 4b!

Topic 4c will cover:

- Why should we save money for the present and the future?
- Where can we save money?

Topic 4c: What are savings?

This topic helps you to:

- understand the reasons for saving money
- find out the features of different savings accounts
- understand what people look for in a savings account.

Why should we save money?

Money that we don't need or want to spend now can be put away to spend later. These are our savings.

Some people's attitude to spending is to spend all the money they have, and not to save.

Saving for the present

Many people save money in the short term for smaller holidays, Christmas or other religious festivals.

People should always save money for an emergency. These savings are often called emergency savings or rainy day savings. They cover expenses when something unexpected happens, like a boiler breaking or a car needing repairs. Having an emergency fund can stop people needing to borrow money.

Saving for the future

If we don't save money now, we will not be able to do some of the things we want to do in the future.

We might want to save money for a deposit to buy a home.

We might want to save money for a holiday overseas.

We must save (or invest) money so that we can live comfortably when we retire.

Remember Emily's attitude to spending?

"I saved enough money to buy my first car when I turned 17"

Earning interest

While borrowers *pay* interest, savers *earn* interest on the money they store.

If we budget to have money left over, it makes sense to put the savings in an account to earn *more* money.

Banks, building societies and credit unions can afford to pay interest on savers' accounts because of their profits from loans.

By saving our money with a bank, building society or credit union, we can earn interest.

Chloe opens a savings account at a bank to store the money she saves

Chloe has saved up £100 in cash from her earnings over the last few months.

Chloe: 'I'd like to open a bank savings account.'

Cashier: 'Great!'

Chloe: 'How much interest does the account pay?'

Cashier: '2% per year.'

Chloe: 'That'll do nicely!'

Cashier: 'Please fill out these forms. Thank you - now we will open your savings account.'

Chloe leaves the £100 in the account without touching it.

After a year, Chloe has earned: 2% x £100 = £2.

Her account now holds: £100 + £2 = £102.

The interest rate stays at 2%.

Chloe leaves the £102 in the account without touching it. Another year passes . . .

This time Chloe has earned 2% on £102: 2% x £102 = £2.04.

Her account now holds: £102 + £2.04 = £104.04.

In this way Chloe sees her money grow."

Interest on savings counts as income, so savers might pay tax on it.

If savers earn below a certain amount of interest, they pay no tax on it.

Where can we put savings?

There are different types of savings account for different purposes.

You might want to save a large sum of money for a long time.

Or you may want to save a small amount each month from your earnings.

Instant-access account

An instant-access account lets you take your money out at any time.

You can deposit as much money as you want. The interest paid is very low.

Notice account

With a notice account, you are supposed to tell the bank in advance (ie *give notice*) before taking out any of your money.

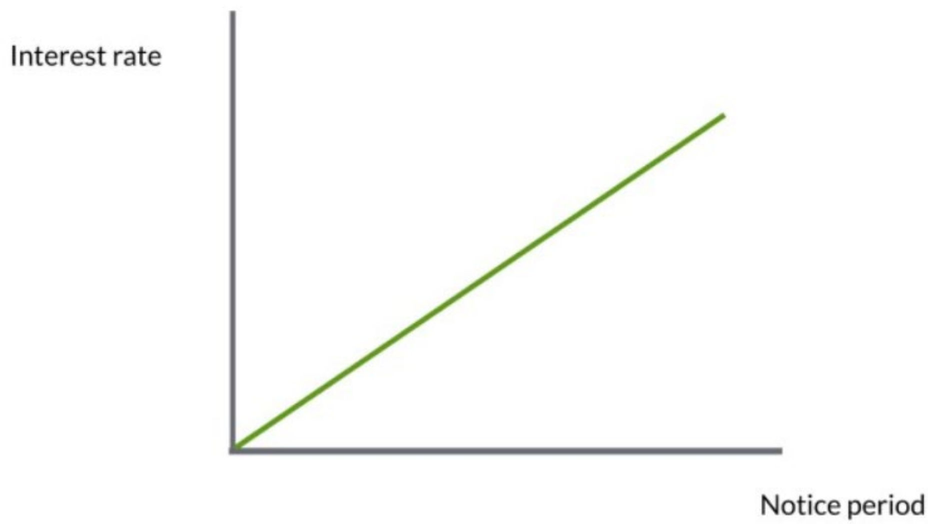
If you take out money without giving notice, you lose some or all of the interest gained.

"I want to withdraw £200 of my money a month from now"

Notice account

With a notice account, the interest paid is usually higher than for instant-access accounts.

The longer the notice you need to give, the higher the interest rate paid.



Cash individual savings account (ISA)

A cash ISA lets you save money tax free up to a maximum sum per year.

The money is often available instantly. If the cash ISA is a notice account, the money is not available instantly without penalty.

The interest paid is free of tax.

FACTFIND

Find out the ISA limit for the current tax year.

Go to the course site to complete the activity: Account comparison.

How is interest worked out?

When choosing an account, savers ask:

"What is the interest rate?"

The higher the interest rate paid, the more savers will earn on their money.

But different accounts pay interest in different ways.

Some pay it monthly.

Others pay at the end of the year.

To compare these would be like comparing apples and oranges.

So that savers can compare rates, account providers must state their interest as an annual equivalent rate (AER).

This is what the rate would be if interest was paid once a year.

Jesse compares AERs

Jesse is 18 years old.
He has £100 that he was given on his birthday.
He wants to put the money into a bank or Building society account to keep it safe and to earn a good rate of interest.
He does not know when he will decide to spend the money.
He visits some banks and building societies, and hears a lot of information at once:
"Minimum deposit £1"
"No notice period-withdraw when you like"
"Competitive AER"
"Free MP3 download when you open the account"
"Free £20 voucher!"
Jesse looks past the free gifts, which are not important to him, and asks about the interest paid on the accounts.
At ABC Bank Limited . . .

"Our interest is paid monthly"
At local building society . . .
"Our interest is paid yearly"
In both cases, Jesse asks:
"What is the AER?"
At ABC Bank Limited . . .
"The AER is 1.75%"
At local building society . . .
"The AER is 2.01%"
By comparing the AERs, Jesse knows he will make more money by saving in the Local Building Society account.
However . . .
At local building society . . .
"You must give a month's notice to withdraw the money"
The ABC Bank Limited account has a lower AER, but there is no notice period.
Jesse should think about how he wants to use the savings when choosing his account.

What do people look for in a savings account?

People look for different features in a savings account depending on their reasons for saving.

Here is how some accounts compare.

	Instant access	Notice	Instant cash ISA
Relatively high interest rate	No	Yes	Yes
Withdraw money at any time without penalty	Yes	No	Yes
Tax free	No	No	Yes
Unlimited deposits	Yes	Yes	No

Hari wants an account with a high interest rate and unlimited deposits, and he intends to leave the money alone for four years.

He chooses a **notice** account.

	Instant access	Notice	Cash ISA
Relatively high interest rate	No	**Yes**	Yes
Withdraw the money at any time without penalty	Yes	**No**	Yes
Tax free	No	No	Yes
Unlimited deposits	Yes	**Yes**	No

Congratulations

You have completed Topic 4!

Complete the end-of-topic quiz and activity to expand your learning for this topic.

Topic 5a: Borrowing basics

This topic helps you to:

- think about whether you can afford to borrow money
- find out what to consider in order to borrow sensibly
- understand how to choose the most appropriate lender.

Can we afford to borrow?

Borrowing is a legal commitment, so we need to think about whether we can afford it.

A credit card may be tempting, but the amount you pay back builds up unless you pay off what you borrow in full.

For example, Ray buys sofas for £800 using his credit card.

He makes a low repayment, so the next month he still owes almost £800.

Steph's budget

A loan to buy a car might help you out, but can you afford the monthly repayments?

Steph budgets to have £30 left each month.

She takes out a loan to buy a car, but the repayments are £60 a month.

Steph does not have enough money in her budget to cover the repayments.

Checking our budget

If it looks like we can't afford to borrow, sometimes we can move things around in our budget to free up the money.

Steph

But sometimes we can't afford to borrow.

If there is no money available to meet repayments, we need to be sensible and **not** borrow.

Considering interest

To decide whether we can afford to borrow, we must also consider the interest we will pay on top of the borrowed amount.

Annual percentage rate (APR)

When advertising a loan, lenders must state the annual percentage rate (APR).

The APR lets borrowers compare the costs of different loans.

An APR includes:

- the interest rate
- how often interest is charged
- any fees charged.

APRs mean that any ‘hidden fees’ will be shown up by a large APR figure.

A personal loan has a **fixed APR**, which means the monthly payments stay the same.

A **variable APR** means the lender can change the interest rate.

The amount you pay can go up or down each month.

Check your understanding of APR on the course site.

How do we choose the right lender?

To get the best deal, we need to compare interest rates and APRs.

We must also make sure we know about any other fees we might have to pay.

For example, Elly only knows about the interest rate charged on her credit card.

She withdraws £10 from an ATM, and the credit card company charges a 3% fee.

This is an extra fee for withdrawing cash.

Why might we borrow money?

Sometimes we want to buy something, but we do not have enough money.

We can:

- decide not to buy what we want
- save until we have enough money.

Or we can:

- borrow the money to buy it now.

Kristina's loan

Kristina wants to buy a video camera for £400 but she only has £50.

She borrows £350.

People often borrow because it would take a long time to save up enough money to buy the item.

Sometimes, they **really** need the item straight away.

Franki's car

Franki's car has broken down.

She needs to borrow money to fix it so that she can drive to work.

How does borrowing work?

Adults aged 18 and over can borrow from organisations offering 'credit'.

When we talk about borrowing, giving credit means lending money.

Borrowers pay back:

The amount they borrowed

Interest on what they borrowed

Any fees the lender charges

Kristina's loan

Kristina borrows £350 for one year, at an interest rate of 5%.

(£350 ÷ 100) × 5 = £17.50 interest.

The lender charges £10 in fees. In total, Kristina pays back:

£350 + £17.50 + £10 = £377.50.

Congratulations

You have completed Topic 5a!

Topic 5b will cover:

- various ways in which people borrow money
- how we use different borrowing methods for different needs
- lenders that we should avoid.

Topic 5b: Borrowing methods

This topic helps you to:

- understand some of the ways that people borrow money
- think about the different uses of different borrowing methods
- find out which lenders to avoid and why.

In what ways can people borrow?

We can choose to borrow money in different ways based on what we are trying to achieve.

Different borrowing products may be appropriate depending on our situation.

- Are we trying to cover a small shortage in money until our next payday?
- Do we need to borrow to buy an expensive item, such as new furniture or a car?
- Has an emergency left us needing to spend more than is in our current account?

Personal loans

We have seen that banks and other organisations (such as building societies and credit unions) lend money to people who want loans.

People use personal loans to pay for specific items, such as a car or furniture.

They repay the loan over an agreed time, paying off a bit each month. Each repayment is the same.

So a person borrows a set amount, normally more than £1,000, and repays it to the lender with fixed monthly repayments for a fixed amount of time, normally 1–5 years.

Example

Niall borrows **£1,500** for **one year** at **5%** interest, making a total of **£1,575**.

He pays £1,575 ÷ 12 = **£131.25 per month**.

Overdrafts

An overdraft lets [current account] holders borrow money when their account balance gets below zero. An account holder can borrow up to a limit set by their account provider (such as a bank or building society).

The money is borrowed from the account provider.

Overdrafts are meant to cover quite small amounts for short periods of time. They are only designed as a short-term borrowing solution. The person repays as much of the overdraft as they can as soon as possible.

Carl

You must ask your bank or building society for an overdraft – this is an **authorised overdraft**.

Carl's overdraft
Carl asks his bank for an overdraft of £100.
So he can still make payments up to £100 even if his account gets to zero.
Carl has £10 in his account.
Balance: £10.
A standing order of £70 is debited.
£10 - £70.
Balance: - £60
Carl is using £60 of his authorised overdraft.

Interest is charged each day that a borrower uses their overdraft.

If you do not ask for an overdraft but use one anyway, this is an **unauthorised overdraft**.

Unauthorised overdraft
Lewis has £10 in his account.
He has not asked for an overdraft.
Balance £10.
He withdraws £50 from an ATM.
Balance £10 - £50.
Balance: - £40.
This £40 borrowing is unauthorised.

Go to the course site to complete the activity: Overdrafts.

Credit cards

Credit cards are plastic cards that let you buy now and pay later.

They work like debit cards but you borrow the money from the card company, up to a set 'credit limit'.

A monthly statement shows everything bought using the card. You can also check using a banking app.

If you can pay back all the money within a set time, you pay no interest:

If you pay off all the credit for the month, no interest is charged.

If you only pay off some of the credit, you must also pay interest.

If you take longer to pay back what you borrowed, you must pay at least a minimum repayment per month.

A minimum repayment covers the whole of that month's interest, plus some of the amount borrowed.

It takes a long time to pay off borrowing if a cardholder makes only the minimum repayment each month.

Fiona's credit card

Fiona gets a credit card with an interest rate of 1.6% per month. She spends £100 on the card when she first gets it. She makes only the minimum repayment of 4% each month. So…

In January she owes £100.
She pays off the minimum 4% = £4. She still owes £96.

In February, interest is added to £96 at 1.6% = £1.54. Fiona owes £97.54.
She pays off the minimum 4% = £3.90. She still owes £93.64

In March, interest is added to £93.64 at 1.6% = £1.50. Fiona owes £95.14.
She pays off the minimum 4% = £3.81. She still owes £91.33.

In three months, Fiona's debt has decreased very slowly. If Fiona continues to make only the minimum repayments, she will still owe the credit card company £40 at the end of three years!

Payday lenders

A payday loan is like a very short-term personal loan, but you are supposed to repay the loan in one payment, normally after your next payday. It is quite a small loan that covers a lack of money before payday.

But the APR is huge – sometimes over **1,000%**. Interest rates of over **200%** are common.

People often pay a lot in interest and fees when they miss a repayment date.

Store cards

Store cards work in the same way as credit cards but you can only use them in certain stores. Stores offer them so that you spend lots of money in a particular shop.

The interest charged is often higher than on a normal credit card. So although you might get a discount from these stores by using the card, the borrowing can be very expensive if it is not paid off in full.

Loan sharks

Lenders known as 'loan sharks' are illegal. Loan sharks do not follow the rules that banks do, so they can change their rules as they want to, even if it goes against what they agreed with the borrower.

- Loan sharks do not have legal permission to lend, and they may not reveal the APR of their loans.
- They take advantage of people who need money and they charge a huge amount of interest.
- They may use threats to force borrowers to repay them.

You can check whether or not a lender has permission to lend.

And if you ever owe money to a loan shark, there are places that can help.

Find out more about loan sharks

For more information, visit:

https://www.citizensadvice.org.uk/debt-and-money/borrowing-money/types-of-borrowing/loans/loan-sharks/ opens in new window

Islamic borrowing

Different cultures have different approaches to borrowing. Islamic borrowing, for example, works without charging the person any interest, as this is against Sharia law (Islamic law).

The Islamic bank makes money through other arrangements. This means the borrowing is structured in a different way.

What is Sharia?

Sharia is Islamic religious law that comes from the:

- **Qur'an:** Muslims' holy book; and
- **Sunnah:** the life and words of the prophet Muhammad.

In Sharia law, money is purely a medium of exchange: buying things and paying for services. Muslims are not allowed to make money by exchanging money with someone else.

So, charging interest on loans is seen as unjust and is known as ***riba***.

Congratulations

You have completed Topic 5!

Complete the end-of-topic quiz and activity to expand your learning for this topic.

Topic 6a: Insurance

This topic helps you to:

- find out what insurance is
- understand compulsory and voluntary insurance
- list the types of insurance and assurance
- understand the risks of not having insurance
- explain important insurance principles.

What is insurance?

Insurance is a payment 'just in case' something bad happens.

We pay insurance companies because if something bad *does* happen, it will cost lots of money to deal with it ourselves.

A person buys an 'insurance policy' from a company that agrees to take on certain **risks** in return for a premium.

Bob's home insurance policy

Bob buys an insurance policy to insure his home against the risk of it catching fire.

He pays the insurance company a premium of £250 a year.

In return, the insurance company agrees to pay for damage to Bob's home if it does catch fire.

Who provides insurance?

Many types of company offer insurance. They all have to follow rules, train their staff and give customers accurate information.

An 'insurance broker' can be paid a fee to find a good insurance product for a customer.

How do insurers make money?

Insurance companies take on many risks and have millions of customers.

Every customer pays a premium, but not every customer has something bad happen.

The insurer only pays out money for events that happen. It keeps all the other premiums.

Bob never needs to claim on his insurance policy. He pays the insurance company a total of £6,250 in premiums over 25 years.

£250 per year x 25 years = £6,250

Bob's insurance

Bob thinks: if there had been a fire, the insurer would have paid out much more than I paid in premiums.

The insurer thinks: the risk of a fire was small, so there was a good chance we would never have to pay out any money on Bob's policy.

Compulsory insurance

Some insurance is compulsory: you *must* buy it if you use particular products.

Car insurance is compulsory if you own a car. It is illegal to drive a car without any insurance.

Emily's insurance

Emily buys 'third-party' car insurance. This is the legal minimum.

It covers injury and damage to third parties – people who are not Emily – as a result of her driving.

Voluntary insurance

Other types of insurance are voluntary: it is up to you whether you buy them or not.

Steph's insurance

Steph buys 'comprehensive' car insurance.

This covers injury and damage to third parties, plus damage to Steph's own car and injury to herself while driving.

Travel insurance

Travel insurance is voluntary, but it is highly recommended.

It covers people against loss of property while they are on holiday, and pays medical costs if they become ill.

Home insurance

Home insurance is important for people who own property, because the cost of damage is high.

- **Buildings insurance** covers damage to the house caused by events such as flood or fire.
- **Home contents insurance** covers loss or damage to the contents of your home. For a higher premium, you can also cover items that are taken outside the home, such as laptops.

Pet insurance

Pet insurance covers you against the cost of certain vet's bills.

Bills are usually covered for an accident or a serious illness.

Health insurance

Health insurance covers you for private health treatment if you have an injury or need an operation.

If you have to go to hospital, you can also choose the date of your operation instead of taking the dates offered by your local National Health Service (NHS) hospital.

What is life assurance?

'Insurance' and 'assurance' have slightly different meanings.

- **Insurance** is for an event that *might* happen.
- **Assurance** is for an event that *will* happen, the only such event being death.

Life assurance pays out a lump sum to the people left behind if you die.

To take out life assurance on another person, you must have an ‘insurable interest’ in their life.

Insurable interest

Frieda and Kayleigh are civil partners. They have an insurable interest in each other.

Phil and Don have never met. They *do not* have an insurable interest in each other.

The life of the person being covered is the **‘life assured’**.

There are different types of life assurance.

Life assurance types

Whole-of-life assurance

This cover pays out an agreed sum whenever the life assured dies, as long as the premiums were paid.

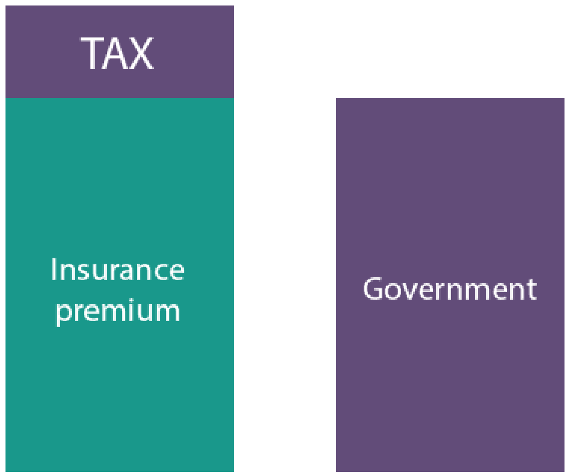
Term assurance

This cover pays out an agreed sum only if the life assured dies within a certain period of time. Otherwise, no sum is paid.

Insurance premium tax (IPT)

All insurance premiums are taxed.

Insurance companies add this amount to their customers' premiums, making them more expensive.



The company then passes IPT to the government.

FACTFIND

Find out the current rates of IPT: https://www.gov.uk/tax-on-shopping/insurance-premium-tax

What are the risks of not insuring?

If some insurance is voluntary, why do lots of people still buy it?

They weigh up the cost of insuring against the risk of *not* insuring.

Think about travel insurance.

If you had an accident in another country and were not insured, you might have to pay expensive medical costs.

Go to the course site to complete the activity: Risks of not insuring.

Protecting against risks

We insure voluntarily to protect what is ours, whether it is a car, a home or an expensive item.

Theft

Most items can be stolen, such as by muggers on the street or by burglars from a home.

For example, smartphones are easy to steal but costly to replace.

So if you have a smartphone that you do not insure, you risk having to pay to replace the phone if it is stolen.

Accidental damage

Most items can be broken. You might drop a tablet computer, or have an accident in your car.

Emily's accidental damage

Because Emily only has third-party insurance, she risks having to pay an expensive repair bill if her car is damaged.

"The cost of repairing your vehicle will be £250 plus VAT."

Important principles

Customers should remember some important principles when buying insurance.

An insurance provider’s price for premiums is based on assessing risk. It does this using the information you give, so the information must be accurate.

Material facts

A 'material fact' is something the insurance company should expect to be told.

A material fact example

Character: I would like to insure my house against fire damage.

Insurer: Is there anything we need to know?

Character: Yes. I live next door to a firework shop.

Material fact.

In good faith

'In good faith' means not keeping information from the insurer on purpose.

Not in good faith

Character: I would like to insure my house against fire damage.

Insurer: Is there anything we need to know?

Character: I can't think of anything.

Not in good faith.

Indemnity

'Indemnity' means you can't make a profit out of insurance.

You can only be put back in the same position you were in before the event happened.

Example: indemnity

Nadia bought her car three years ago for £12,000.

Recently it was damaged beyond repair. But the car's value fell ('depreciated') over the three years Nadia used it.

So her comprehensive car insurance paid out what the car would be worth *now,* not the £12,000 originally paid for it.

How do we get good insurance deals?

When you choose to buy insurance, it is a good idea to shop around.

Look at what different insurance companies offer and for what price.

Price comparison websites let you compare some insurance deals on offer.

You enter your details and then get a list of deals to choose from.

Go to the course site to complete the activity: Comparing insurance deals.

Congratulations

You have completed Topic 6a!

Topic 6b will cover:

- What is inheritance?
- When is inheritance tax payable?
- What is intestacy?

Topic 6b: Inheritance

This topic helps you to:

- explain what an ‘inheritance’ is and what affects it
- understand when inheritance tax is payable
- know what is meant by ‘intestacy’.

Inheritance

When people die, their money and possessions are given to other people who ‘inherit’ them.

- A **will** is a document written by an individual (the ‘testator’) that gives instructions about what should happen to the things they own after they die. They must sign the will in front of two witnesses, who then also sign the will.
- **Executors** are the people who carry out the instructions in the will. They collect all of the deceased person’s possessions and money, known as the deceased’s ‘estate’.

For example, in her last will and testament, Betty named her son Peter and his wife Mary as her executors.

People often name two or more executors so that if one dies, there is someone else to carry out the deceased’s wishes.

Betty’s last will and testament describes how a family inherits the money and possessions of an estate.

Betty's last will and testament

When Betty died, her family inherited the things that she owned.

Betty's son inherited her house and its contents, her car and the money from her life assurance policy.

Betty's daughter-in-law inherited nothing directly.

Betty's grandson inherited half of her jewellery and savings.

Betty's granddaughter inherited the other half of her jewellery and savings.

Inheritance tax (IHT)

When someone dies, before following the instructions in the will there may be IHT to pay the government. IHT is only owed if the estate totals above a certain amount.

Go to the course site to complete the activity: Is inheritance tax payable?

Intestacy

If someone does not leave a will, they have died 'intestate'. The government has laws about how an estate should be given out if there is no will.

To avoid intestacy, you should make a will when you start to build up possessions.

For example . . .

Under the laws of intestacy, partners who are not married or in a civil partnership can't inherit.

Saskia is unmarried and dies without leaving a will. Her partner Wayne has no right to inherit Saskia's estate.

FACTFIND

Visit the [gov.uk]() website to find out who inherits if someone dies intestate in different circumstances.

Congratulations

You have completed Topic 6!

Complete the end-of-topic quiz and activity to expand your learning for this topic.

Topic 7: Risks with money

This topic helps you to:

- understand spending that involves risks and rewards
- consider the risks of gambling and what responsible gambling involves
- think about other risks involving money.

Taking risks with money

Some forms of non-essential spending for adults involve taking a risk with your money.

You might win a lot of money, or you might lose the money you spent. When you take a risk, you need to consider whether the potential reward is worth it.

What is gambling?

Gambling is non-essential spending for adults that involves risk.

An example is the UK National Lottery, where people pay for a ticket with a line of six numbers.

Not everyone gambles: it is a choice. It can become a problem if people don't gamble sensibly.

Gambling can be addictive, leading people to lose more and more money each time they do it.

UK National Lottery

You must be 18 or over to buy tickets or claim prizes on the UK National Lottery, which is a form of gambling.

People used to be allowed to buy tickets aged 16, but the age has been raised in line with other types of gambling.

If a person's numbers match those drawn from the Lottery machine, they win a large money jackpot.

But if they match only one number, they lose the money they spent.

Some people gamble because they weigh up the risk they are taking against the reward they could win.

For the National Lottery, the possible reward is greater than the risk, which is why some people play every week.

However, if you played the National Lottery every week, you would risk losing:

52 x £2 = **£104 a year**

And the chances of winning the jackpot are extremely low.

Go to the course site to complete the activity: How likely are you to win the Lottery?

Safe and responsible gambling

Many adults gamble every so often as a bit of fun. But we need to stay in control of how much we spend, and spend only what we can afford.

Gambling on scratchcards or fruit machines may seem harmless, but they are designed to keep people spending money.

What issues can gambling cause?

While many people do gamble safely, for some people gambling causes problems like:

- financial difficulties
- gambling addiction
- relationship problems
- impacts on mental health such as anxiety, stress and depression.

These issues differ for different people and may change at different points of an individual's life. If people decide to gamble, it should be responsibly for entertainment, not as way to make lots of money. **People must only gamble what they can afford to lose.**

Legally, young people are not allowed to gamble until they are 18. However, many young people are gambling by making bets online through games, via games consoles, smartphone apps or personal computers.

Ian spends £1 on a scratchcard and wins £5
Ian: 'Hmm, maybe I can win more. . .'
He goes back to the shop and buys five more scratchcards. After all, he might win £5 on each!
But instead, he wins nothing.
Ian: 'I need to win my pound back at least . . .'
Ian buys five more scratchcards, to try to win back his original pound. But he doesn't. He has now lost £5.

Responsible gambling resources

Learn more about responsible gambling and the warning signs of problem gambling at BigDeal and BeGambleAware.

When can we take a risk?

Responsible gambling means only spending what you can afford to lose if your gamble does not win.

- Someone who earns **£1,000,000** a year might be able to afford a £1,000 bet on horse racing.
- Someone who earns **£1,000** a year will *not* be able to afford a £1,000 bet on horse racing.
    - Even a Lottery ticket per week would not be a good idea for someone with very low earnings. They need to budget to calculate the affordability: what amount they can afford to lose.

Responsible gambling means that the person who is gambling needs to set limits on the time and money they spend when gambling.

Shares

When people choose to invest in company shares, they are taking a risk.

If the company does well, they receive a dividend payment from the profits and the value of their initial investment rises.

But if the company does badly, there are no dividends and the initial investment value falls, sometimes to zero!

The risk of investing in shares can be reduced by using an expert to choose the companies you invest in. An expert should also clearly explain the risks to you.

Various forms of investment involve risk-taking with money, because there is no guarantee that you will end up making money.

Premium Bonds

Premium Bonds let people save money *and* have the chance to win cash.

Instead of savers earning interest, the interest is used to fund cash prizes.

Prizes vary every month, but the top prize is always £1 million.

Premium Bonds are backed by the government, so the original amount that people put in is 100% safe.

The risk here is whether you will earn more in cash prizes than you would earn in interest by saving elsewhere.

Congratulations

You have completed Topic 7!

Complete the end-of-topic quiz and activity to expand your learning for this topic.

Topic 8: Keeping money safe

This topic helps you to:

- find out how to keep money safe
- understand what fraud is and how to avoid it
- understand how to buy safely online.

How do we keep our money safe?

Lots of the things we have learned about help us to keep our money safe.

Storing money in an account

Checking bank statements regularly

Using chip and PIN when buying

Being careful while using an ATM

Let's look at some of the issues around keeping our money safe.

What is fraud?

You may have heard of 'scams' or 'cons'.

These are types of fraud: being dishonest in order to steal money.

Identity fraud (or theft)

Identity fraud is where someone gets hold of another person's bank details and uses them to spend money in the victim's name.

Aisha's card

Aisha realises that her debit card is missing.

She checks her bank statement and sees debits that she doesn't recognise.

A fraudster is using her card details.

A fraudster might also apply for a loan or credit card in the victim's name.

They spend the borrowed money using the victim's identity, and the victim is sent the bill.

How do we avoid fraud?

Layers of security help to protect us against fraud.

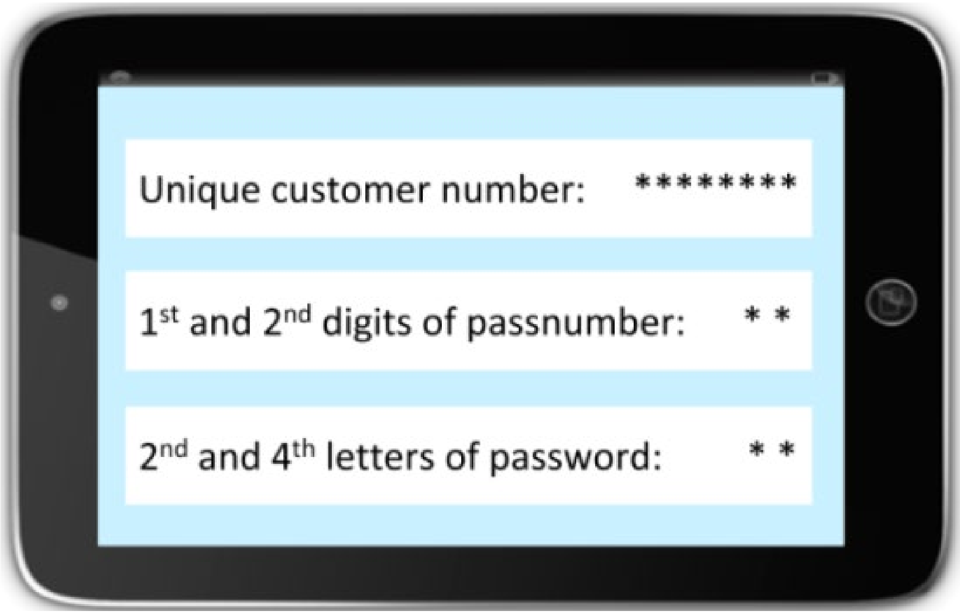
When buying online, we might enter letters from a password to prove we are the cardholder.

Online stores have security that 'encrypts' the data we send, so that fraudsters can't read it.

Account security

If we use online banking or mobile banking apps to check account statements or make payments, security makes it hard for fraudsters to access the account.

Example: account security



Carl logs into his account online.

He must enter the following:

- Unique customer number.
- 1st and 2nd digits of passnumber (a number quite like a PIN that Carl chose).
- 2nd and 4th letters of password.

Keep your details secret

A passnumber and a password must be secret.

Pick things that people won't be able to guess but that you can memorise. You should not write them down where someone else could find them.

You give out card details when buying online, and type digits from your passnumber when logging in to your account.

But be careful. If someone asks for your details, on the phone or online, be sure you know who is asking.

A suspicious email

Carl receives the following email:

> **YOUR BANK PLC**
>
> Dear valued customer,
>
> We are investigating our online security and believe your account may have been hacked. Please do not be alarmed. Reply to this email with your customer number, password and PIN so we can verify your details.

This is a fraudster trying to get the details needed to log into Carl's account.

A bank will never ask for your PIN (or for your entire passnumber).

This method of posing as someone that you trust in order to make you give out your details is called phishing.

The fraudster is 'fishing' for your details.

Carl does not reply to the email. He calls his bank branch...

Carl: Did you send me an email asking for my PIN?

Branch employee: No, we would not do that. Please don't give out your details.

Report suspicions straight away

If you suspect that someone is using your details to commit fraud, **report** it to your bank straight away.

If you suspect fraud, you should also report it to Action Fraud.

FACTFIND
Visit Action Fraud for details.

If your card goes missing, ring your card provider immediately and **cancel** it. This stops anyone from using your card.

How do we buy safely online?

We looked at selling items online earlier in the course.

If you *buy* items online, you must be cautious:

- Is the website trusted and well-known?
- If you bid in an online auction, does the seller have good feedback?

Plus, always ask yourself: is this offer too good to be true?

Some people try to trick buyers.

Matt's purchase

Matt sees a listing on an auction website.

Brand new SuperTab 6 box: great condition.

Matt has never seen this tablet sold for less than £200. He bids £50 and buys the item.

But he receives an empty box, as described by the seller.

Staying safe online

Keep your computer safe with up-to-date anti-virus software.

Anti-virus software prevents your computer from becoming infected by viruses that criminals create to get hold of people's details.

When buying online, look for a padlock symbol.

This shows that a website uses encryption to scramble your information, so that fraudsters can't read it.

When you have finished, always log out.

Whether you are banking or shopping online, make sure to log out before you leave the site.
Otherwise, someone might be able to use your details.

Don't trust weblinks.

If your 'bank' seems to send you an email that contains a link to a login page, don't click on it.

It could be a fraudster, either trying to infect your computer or to 'phish' for your details.

Similarly, when you are online a window might pop up claiming your computer is infected.

Do not click on this – it is a scam.

Trust your instincts.

Does an offer look too good to be true? If so, it probably is.

FACTFIND
To learn more about staying safe when banking or spending online, go to: Take Five - To Stop Fraud

If you believe you are a victim of fraud in the UK, tell your bank and report it to Action Fraud.

Card cloning

Some fraudsters try to copy information off people's plastic cards.

They can use this information to 'clone' your card and spend your money. Or they can use the copied information to buy items online in your name.

To keep our cards and personal details safe, we must always be alert when shopping or banking online.

Verified by Visa provides added protection against card fraud.

After signing up, you will have to confirm three random characters of a password or memorable name when you make online purchases.

Go to the course site to complete the activity: Too good to be true?

Congratulations

You have completed Topic 8!

Complete the end-of-topic quiz and activity to expand your learning for this topic.