Ormiston Victory Academy

Victory Vital's

PSHE
Year 10
Spring 2: **Finance**

Key vocabulary:

Income – Money a person receives
Earnings – Money you get from a job
Wage – Pay per hour
Salary – Pay expressed as an annual figure
Self-employed – Working for yourself/owner of the business
Income tax – Tax taken out of earnings.
National Insurance – Money taken from your pay by the government to pay for specific things like pensions
Interest – Either money added to your savings or money added to a debt you have to pay back on top of the amount you borrowed
Fixed APR – Annual interest on a debt where the interest % will not change.
Variable APR – The interest on your borrowing can change
Budget – A plan about what income and expenditure you will have

Type of savings account	Advantage	Disadvantage
Instant-access account	Can take money out at any time	May offer a lower interest rate than a notice or regular savers account
Notice account	Offers a better interest rate than instant access	Requires you to plan when you want your money and to give notice
Regular savers account	Encourages you to save regularly Can offer a better interest rate than instant access	Interest may be lost if you take money out of the account
ISA	Offers interest tax-free	Involves rules relating to when you can take the money out of the account without losing interest

Income Tax rates and bands

Band	Taxable income	Tax rate
Personal **Allowance**	Up to £12,500	0%
Basic rate	£12,501 to £50,000	20%
Higher rate	£50,001 to £150,000	40%
Additional rate	over £150,000	45%

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
1060L	26	Demi Morgan	NS102030P
PAYMENTS		DEDUCTIONS	
Description	Amount	Description	Amount
Basic salary T	1500.00	PAYE tax	123.33
		NI	99.40
Gross pay	1500.00	Total deductions	222.73
Net pay	1277.27		
Taxable pay to date	3000.00	Tax paid to date	246.66
		NI paid to date	198.80

T = taxable

Tax code	The amount of money before deductions
Payment method	How long the payslip is for e.g. the last week or month.
Taxable pay to date	Pay as you earn. This means the tax is taken each month directly by the employer
Gross pay	How the person will be paid e.g. cash or credit transfer (straight into the bank)
Payment period	A code to show how much the employer should pay
PAYE	A number to identify the person on the companies payroll
Net pay	How much of the person's pay has had tax on it (after the basic rate) The tax year runs from April to April
Employee number	The amount of money after deductions

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Victory Vitals

The Post Office
- The Post Office offers its own savings accounts, such as an 'Instant Saver' account, an ISA and some bonds – that is, a way of investing lump sums for a longer period of time.

National Savings and Investments (NS&I)
- NS&I is one of the largest and best-known savings organisations in the UK, and it offers a wide range of savings products to personal savers and investors.
- There is a wide range of products available from NS&I, from instant-access accounts and ISAs to longer-term investments. Some of these pay interest monthly; some of these pay interest annually. Some of the NS&I savings accounts are tax-free, but there are limits on how much you can put in them.
- Premium Bonds are one of the products that NS&I offers. These do not pay interest; rather, your bond numbers are entered into a draw each month and you can win a range of cash prizes.
- You can find NS&I savings products at the Post Office, alongside its own range of savings accounts.

Credit unions
- 'Credit unions' are financial co-operatives owned and controlled by their members. They offer savings accounts, and are local, ethical and know what their members want. Many credit unions now offer a range of services including savings accounts, ISAs and Christmas savings clubs.
- Each credit union has a 'common bond', which determines who can become a member. The common bond may be that those who can become members must all live or work in the same area, must work for the same employer, or must belong to the same association, such as a church or trade union.

Savings stamps
- 'Savings stamps' schemes – also known as 'savings clubs' – are run by many supermarkets and some local shops. The idea is simple: you put away a little bit each month over the year to pay for a big shopping spree, such as Christmas or any special event (such as a wedding).
- The scheme involves you recording your savings either in a booklet with stamps (hence the name) or, more usually nowadays, using an electronic card. They generally allow you to save between £20 and £500 at a time.
- The advantage of a savings stamps scheme is that you can put a little money to one side each time you go shopping. The disadvantages are that you are not paid any interest and that you have to spend the money at the shop with which you have saved.

Christmas clubs
- 'Christmas clubs' are schemes in which you save a small amount of money on a regular basis towards the high costs of Christmas. This can be done through a supermarket or another type of shop, such as your local butcher, but you can spend your saved Christmas club money only at the supermarket or shop with which you have saved it.
- There is a Christmas club scheme available through the Post Office, which is slightly different in that it allows you to spend your savings wherever you like.
- **NOTE:** Both savings stamps schemes and Christmas clubs involve a certain amount of risk. Because your money is being looked after by the shop or business with which you are saving, if that business were to go bust, you would risk losing your money.

Credit cards

Credit cards allow you to buy now and pay later. These plastic cards can be used to pay for goods and services in person in shops, restaurants and petrol stations, etc, and to withdraw cash (for a charge). They can also be used from a distance to buy goods and services on the telephone, by mail order and on the internet.

Using a credit card means that the cardholder is borrowing money from the card company. Cardholders are told the maximum amount of money that they can borrow on the card. This is known as their 'credit limit'.

Each month, the cardholder will receive a statement listing all of the transactions that they have made on their card. Cardholders can decide to repay all of the credit that they have used during the month or to repay only part of it. Cardholders who repay all of their borrowing do not pay any interest. Cardholders who repay only some of their borrowing by the payment date will pay interest on the amount of debt left over.

A cardholder must make a minimum repayment that is equivalent to more than a single month's interest. This means that the repayment will cover the whole of that month's interest plus some of the amount outstanding.

A cardholder who makes only the minimum repayment each month will find that it takes them a long time to reduce their debt.

What are the advantages and disadvantages of credit cards?

Overdrafts

An overdraft on your current account is a way of borrowing.

You can ask your bank or building society for an overdraft. It will agree the amount of money that you can borrow (known as your 'overdraft limit'). Spending within your limit is called an 'arranged', or 'authorised', overdraft.

You may be charged a fee for arranging an overdraft.

If you borrow without the bank's permission (for example, by issuing a cheque without having enough money in your account to cover it), this is known as an 'unauthorised' overdraft. The bank or building society may pay the cheque – but it will charge you for doing so. Basically, you are being penalised for not checking if you are allowed to borrow before you do it.

Overdrafts enable people to take more money out of their bank current account than they have put into it. For example, you might have £50 in your current account. If you withdraw £60, you are using an overdraft of:

Balance		Details of where a company has taken money from the account (with your approval)
Cash machine		Statements show what is in the account when it is printed/released online
Cheque		Also known as credits – money that has been paid into the account
Credit		Details of any money taken from the account as the account holder has written a cheque
Direct debit		Also know as debits – This shows money that has been paid out
Payments		A regular payment you have set up which automatically send the money from your account e.g. a bill that is taken every month.
Receipts		Details of money taken out from an ATM
Standing Order		Money paid in

Abbreviation	Meaning
CHG	Charge
CHQ	Cheque
D/D	Direct debit
INT	Interest
O/D	Overdrawn, or overdraft
S/O	Standing order
TRF	Transfer

Current Account Statement

Account number: 71290439

Statement number: 8

Statement for 16 April to 15 May 201X

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Big Bank plc

12 The High Street
Midtown

MT4 17J

Branch number: 91-20-07

Telephone: 01632 960960

Mr Teo Szabo
28 Oak Street
Midtown
MT51 6PN

Date	Details	Payments	Receipts	Balance
201X				
15 Apr	Balance from statement 7			200.00
18 Apr	Cash machine wdl	30.00		170.00
21 Apr	Direct debit – Umbrella Insure Co	12.50		157.50