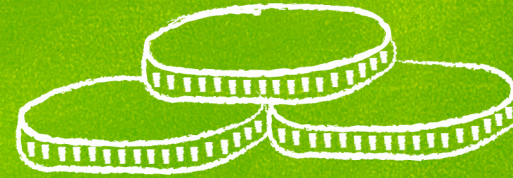


Planning your finances for the future

Age range: 16-19



Definitions



What's the difference?

Renting	Buying
<p>Tenants pay a deposit before they move in, usually equivalent to one months' rent, which will be returned to them when they leave</p>	<p>Buyers need a deposit which is usually a minimum of 5% of the purchase price</p>
<p>Rent is usually payable monthly. If a number of tenants are living in the same property (a house or flat share) the tenants will usually share the deposit and rent. Rent will vary according to the size, location and condition of the property</p>	<p>Mortgage repayments are paid monthly and will include interest. The amount of interest you pay will depend on the mortgage agreement</p>
<p>Costs of utility bills might be included within the rent paid, otherwise these will be paid separately monthly or quarterly (e.g. internet, electricity, gas, council tax)</p>	<p>Utility bills will be paid separately to the mortgage payments</p>
<p>You'll also need to consider contents insurance</p>	<p>You'll also need to consider Stamp Duty, legal fees, valuation and survey fees, and buildings and contents insurance</p>

Calculating the cost of owning

- The average price of a flat in England (including London) is £228,099*
- If your mortgage provider agrees that for a property of this price, you need to pay a 5% deposit, across a 20-year repayment plan with interest at 3%, your monthly repayments would be approximately £1,200 per month**

*[gov.uk/government/news/uk-house-price-index-for-january-2018](https://www.gov.uk/government/news/uk-house-price-index-for-january-2018)

**[moneyadviceservice.org.uk/en/tools/mortgage-calculator](https://www.moneyadviceservice.org.uk/en/tools/mortgage-calculator)



Regular costs – unavoidable or optional?

Council tax

A bill paid by every household (rented and owned). Rates are set by the local council and vary according to the value of the property. Can be paid annually or in monthly instalments.

Utilities

These include gas and electricity (energy), and water. Costs vary depending on how much is used and which company provides the services and. Utility bills are usually paid for monthly.

TV licence

This is a legal requirement if you watch or record programmes as they're being shown on TV or live on an online TV service, and to download or watch programmes on iPlayer. A TV licence can be bought annually or paid for in monthly instalments.

TV packages

These offer additional channels, as well as on demand and catch-up services. Annual packages cost £80 - £800 depending on how many channels and services are included and are usually paid for monthly.

Broadband subscription

A connection to the internet which can be transmitted to different devices such as tablets and laptops through a WiFi (radio) signal, which is required for TV packages. Broadband is usually paid for monthly.

Other costs to consider:

- Mobile phone contract or pay-as-you-go
- Contents insurance
- Food and necessities
- Clothes
- Essential travel costs

Comparing savings accounts

Account	Access	Interest	Required opening deposit	Required deposit per month
1	Instant	Low	None	None
2	Up to 3 withdrawals per year with no notice	Low-medium	£0-£20,000	£0-£100
3	Up to 3 withdrawals per year with 60 days' notice	Medium-high	£500-£50,000	£50-£500
4	3 year fixed	High	£5,000-£100,000	None allowed

Top tips for savings accounts

- Consider the level of access you need – instant, limited or none within a fixed period
- Compare interest rates and consider whether you have an opening deposit that could affect the account you choose
- Shop around for the best deal to meet your current needs
- Decide whether you need ready access to your money
- Change your account type if your needs change
- Keep your financial information secure

Thinking about pensions

- Suki is 21 and earning £18,500 in her first full-time job. Her employer makes contributions as part of her salary
- Her pension contribution under automatic enrolment is calculated by subtracting the lower earnings threshold of £6,032 from her earnings before tax ($£18,500 - £6,032 = £12,468$)
- The legal minimum contribution from Suki is 3%, supplemented by 2% from her employer

What is the monthly contribution to her pension pot?



Methods of borrowing: student sheet



A large, empty rectangular box with a blue border, intended for students to write their answers or notes.

APR

The Annual Percentage Rate (APR) is the cost of a loan (i.e. the original loan plus the interest and any set-up fees) over the course of one year. The higher the APR, the more expensive the cost of borrowing.

APR

Example:

If you borrowed **£1,000** with 29.9% APR and paid this back over one year, you would be borrowing **£1,299** (£1,000 loan + £299 interest and set up fees)

Getting help with financial difficulty: student sheet



Action	Yes	No
Talk to a trusted friend or family member		
Contact the lender and explain your financial situation		
Don't borrow any more money		
Borrow from a friend or family member to help you make repayments		
Apply for a credit card to help you make the repayments		
Seek free, independent debt advice		
Try to forget about it		
Arrange a repayment extension		

Dealing with debt – scenarios



Scenario 1

I recently bought a new phone on a 24 month contract. At the time I thought it was a good idea but now I can't pay the monthly bill. They've cut off the phone and because I still haven't got the money to pay they will cancel the contract.



Scenario 2

I've been paying my mortgage for years, no problem, but then I got made redundant. I'm looking for another job but in the meantime I've no income so I can't make the monthly repayments.

Dealing with debt – scenarios



Scenario 3

I took out a 12 month loan with my bank for a new laptop but I can't manage the repayments anymore. Do I contact the bank or the store?



Scenario 4

I got a pay rise at work last month. I was looking forward to the extra cash but it turns out I'll have to start paying my student loan back so I won't be any better off. Do you think I could start the repayments next year instead?

Dealing with debt – scenarios



Scenario 5

I opened a current account with an £800 overdraft when I was working. Now I'm out of work and I've exceeded by overdraft. I am being charged very high fees which I cannot pay.



Scenario 6

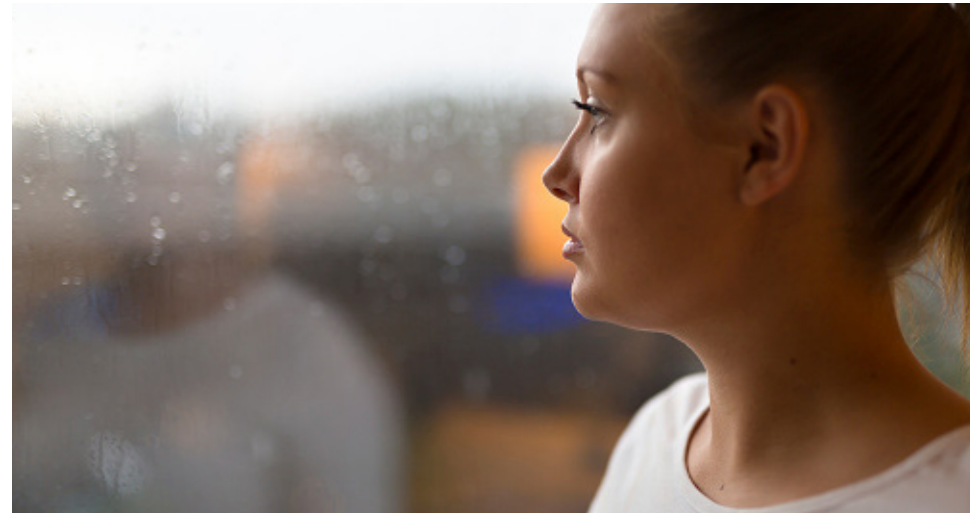
I needed £100 to tide me over until I got paid so I got a payday loan. I was sure I'd be able to pay it back but then my car broke down and it cost a lot to get it fixed. So I had to roll the loan over to the next month and I've been charged loads of interest so I've even less chance of paying it back now.

Dealing with debt – scenarios



Scenario 7

I borrowed £200 from a man who came to my house and offered me a loan. I only had to pay back £5 a week, but then I missed a payment and now I owe him an extra £2 interest. I can't afford the payments and Pete keeps coming around and putting pressure on me to pay up.



Scenario 8

My brother lent me £20 when I really needed it. I've paid £10 back but I'm really struggling to find the rest. I'm avoiding him so he can't ask for it back.

Dealing with debt – possible actions: student sheet



	Action	Yes	No
A	Talk to the credit card provider		
B	Phone the store card company and explain the situation		
C	Contact the shop and explain your situation		
D	Contact your phone provider and tell them your difficulty		
E	Tell the bank you're having difficulties		
F	Don't spend any more money on the card		
G	Tell the police		
H	Contact the payday lender		
I	Tell someone and seek help		
J	Get free, independent debt advice		
K	Search the internet		
L	Try to forget about it		
M	Arrange a repayment extension		
N	Apply for credit card		

Things to think about before borrowing

Do you really need a loan?	If the loan is for a purchase, is it essential or could you wait and save for it?
Check the interest rate (APR)	Make sure you know exactly how much the loan will cost.
How much do you need to borrow?	Always complete a budget to check what you have in surplus income once the borrowing has been factored in, so you know you can afford to repay.
How long will it take to pay off?	Be sure you know what period of time you have the loan for and when you need to pay instalments.
Shop around for a reputable source	Make sure you get the best deal. Consider other available sources that could avoid a loan, for example Credit Unions provide a good way to save and borrow.
What are the repayments?	Will your income be regular enough to meet the repayments at the right time?