MAKING YOUR MONEY WORK FOR YOU

A workbook for young people in care aged 15 onwards

Department for Education
sharefound
pfeg
Personal Finance Education Group

WHAT'S IN IT?

Welcome to **'Making your money work for you'.**

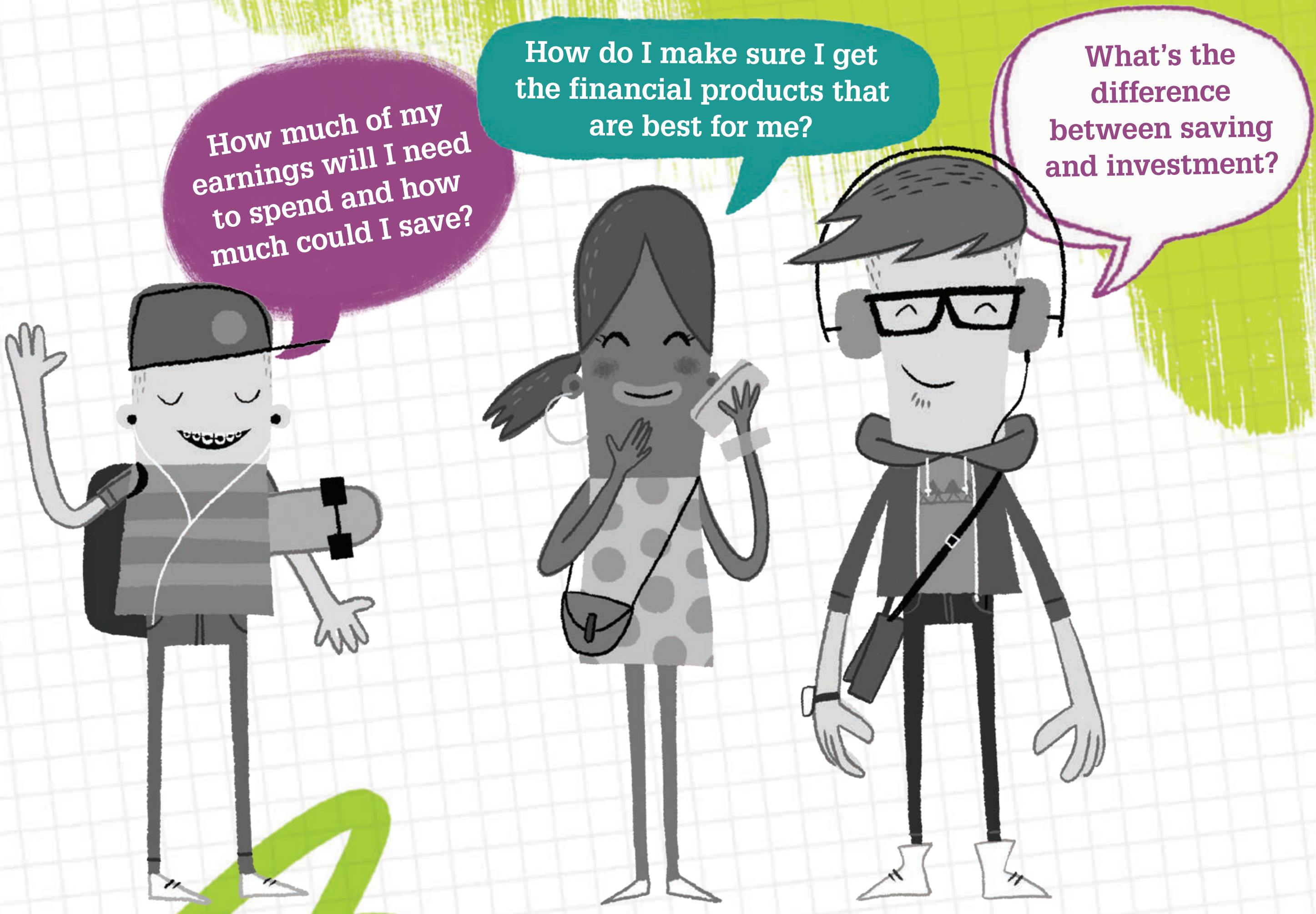
Well, we reckon that learning about money and personal finance are really important skills for **all** young people – let's face it we pretty much use money every day of our lives.

You may well have a bit more money than you thought as the government has set up a new savings account called a Junior ISA. An ISA is an Individual Savings Account, and it's Junior as it's only for young people.

All looked after children who have been in care for over 12 months will have £200 put into their own Junior ISA savings account by the government. This amount can be added to and could grow a lot larger. Once you reach 18, the money is available for you to use in whatever way you like. That's why it's so important to understand how to manage your money and even grow it more!

This resource has been developed to help you think a little more about how you use your money and the decisions you may need to make in the future. On reaching 18 you may well be living independently, managing you own finances and making your own decisions.

Whilst help with this is still available at age 18 from a variety of sources, this resource aims to provide you with the essential financial skills whilst you still have the support of carers, key workers and teachers. This support network can be really helpful in answering any questions that come from using this resource.



WHAT'S IT ALL ABOUT?

This resource book has been split into five separate sections:

STRETCHING YOUR MONEY OUT

Making sure that you are able to buy the things you need and want, with the money that you have available.

WHERE DOES IT GO?

Sometimes it can be easy to lose track of how much money you have left, and how much you have already spent.

MAKING A PLAN

It might be a game you want to buy or the latest piece of clothing. There always seems to be something that you need to be planning for.

COMPARE THE MARKET

How do you choose the best bank account for you? Where is the best place to put your savings? We take a look at how to go about making the right choices for you.

GETTING AHEAD

The world of money can change very quickly. It can be very useful to be aware of these changes to make sure you're always getting the best deal.

Each section has an info page followed by two activities. The info page gives you bits of useful information about the money topic, and the activities let you use this in a way that helps you learn more about it.

The activities aren't trying to catch you out. They've been designed to be fairly quick, not have too much writing involved, but also to get you thinking about how you approach your own personal finances. Many of the activities will help you look at your own thoughts and ideas on money, but a few have answers than can be checked in the back of the book.

If you want to find out more about money and finance issues, including the Junior ISA, why not ask your carer or teacher? Tell them they can look at **www.pfeg.org/JISA** or **www.sharefound.org** for a guide for themselves!

STRETCHING YOUR MONEY OUT

Stretching your money out is all about making sure that you are able to buy the things you need and want with the money that you have available.

Do you find you have to borrow from friends at the end of the week?

Do you ever put a little money into savings to cover any unexpected costs?

You know what it's like when there's always something that comes up and you just can't afford it. It might be tickets to a gig, a trip away or an item of clothing. There aren't many people that have the money for all of the things they want. Making ends meet is about being a bit smart with your money and making sure that first off you have those things that you really need. This might be a safe place to stay, food to eat and clothes to wear.

Some people find that they have to borrow money from friends, or the bank, at the end of each month to meet their spending. Of course, this can happen once in a while, but making ends meet is about making choices about your spending which aims to stop that from happening.

FRONTLINE STORY

Jason, 18

When I moved into a place of my own I thought I'd really made it. It didn't take long before the bills started coming in, the rent was due and I still needed credit on my phone.

At first it was a real struggle to keep up with everything. Some months I even had to stop paying some of the bills. After a while though I got the hang of making my money last a bit longer. The most important thing I learned to do was pay off the rent and bills first, and then look at how much money I had to live off for the rest of the month. Whatever that was I had to make it last. Most months it was fine, and some months I was even able to start saving a little for when money might be a bit tight.

Remember, when you make the move to living independently you will still be entitled to support from your local authority. This can include providing a personal adviser, help in finding suitable accommodation, financial help and the making of a Pathway Plan which outlines the support you need.

Borrowing doesn't always need to be a bad thing. Some forms of 'good' borrowing might be money to go to university, buy a house, or buy a car so you can get to work.

STRETCHING YOUR MONEY OUT

Activity 1, Prioritising spending.

The list below shows some of the most common costs of living on your own. Take a look through the list and try to pick out the five most important items to pay, and the five most expensive. Write these into the box below.


WATER


BROADBAND


COUNCIL TAX


TV LICENCE


GAS


ELECTRICITY

RENT


LANDLINE PHONE


MOBILE PHONE


INSURANCE


CLOTHES


FOOD

CLEANING PRODUCTS

TOP 5 MOST IMPORTANT TO PAY:	TOP 5 MOST EXPENSIVE:
1.	1. ....
2.	2. ....
3.	3. ....
4.	4. ....
5.	5. ....

STRETCHING YOUR MONEY OUT

Activity 2, Jason's Budget Planner.

You saw Jason's 'Frontline Story' at the beginning of the chapter. This is very similar to a large number of young people who begin living on their own.

Jason's income at age 18 was about £900 per month after tax and National Insurance. His expenditure (money spent) was mostly on his living costs. These have been given to you in the table below.

Rent	**£330**	Electricity	**£23**
Food	**£115**	Water	**£20**
Council tax	**£100**	Household stuff	**£20**
Gas	**£35**	Broadband	**£18**
Clothes	**£33**	TV licence	**£12**
Landline phone	**£30**	Washing clothes	**£10**
Mobile phone	**£30**	Insurance	**£2**

LIVING COST TOTAL	**£**
Going out	**£**
Savings	**£**
Other	**£**

1. Add up the total living costs to see how much of Jason's income was used up by living in his flat and write it next to the total. You can use a calculator or your phone.

2. Work out how much Jason has left after the living costs have been taken off his income.

3. How much of what he has left would you spend on going out or put into savings? Write the amounts into the table.

4. Is there anything else you may need to spend money on? If there is put a description and the amount in the 'Other' row.

5. Once the table is complete, put the amounts you have come up with for 'Living Costs', 'Going Out', 'Savings' and 'Other' into Jason's Budget Planner below. Add them all up to make sure his spending is not over £900.

6. Remember if you have any money left over you could always increase the savings amount.

Writing a simple budget planner like Jason's can be a really useful way of making sure all of the really important things are covered before you then work out how much is left for things like going out and saving.

Many bills will change depending on how much you use them, such as gas in the winter.

Some bills don't come in every month. An example of this is a water bill, which can sometimes be only sent once a year. It can be easier to put aside a little money each month into a savings account ready for when the bill does come. That way it's not so hard to find the money.

Jason's Budget Planner

JASON'S INCOME	**£900**
JASON'S EXPENDITURE	
Living costs	£ ....
Going out	£ ....
Savings	£ ....
Other	£ ....
Total	£ ....

WHERE DOES IT GO?

Sometimes it can be easy to lose track of how much money you have left, and how much you have already spent. There are some easy ways of making sure that you always know how much you have.

How much do you have in your bank account right now?

How would you know if money was missing from your account?

It can be a bit boring. It can take a bit of your time. But keeping a close eye on your finances can save you quite a bit of money in the future. This can be as simple as knowing exactly how much money you have left to spend – AND STICKING TO IT. This is really easy if you have a bank account as you can check your **balance** (how much you have) using your phone, the internet, a cashpoint or just asking in your local branch.

Also, with a bank account, the bank will send or email you a statement each month. This shows you a list of all of the income (money in) and expenditure (money out) in the last month. It is good to get into the habit of checking your statement just to make sure there is nothing you don't recognise.

Always keep your PIN (Personal Identification Number) secret, and never write it down. Someone with your card and PIN number could get hold of all your money.

It is always best to keep receipts from shops so you can check them against your bank statement

Why bother checking bank statements?

- Very rarely banks can get it wrong and make a mistake. They will often sort this out very quickly but need you to let them know of the mistake first.
- Personal banking fraud is a very real threat. It is worth checking there are no unexpected amounts of money leaving your account. This could be because someone has committed fraud on your account. The banks will generally refund the money, but you need to check your statement in the first place to let them know it has happened.
- Mistakes can happen when you're paying for things in shops with your **debit card.** If a wrong number is typed into the chip and pin machine you may end up paying the wrong amount.

Creating a **budget** can be a good way of making sure you have enough money for the things you have planned.

If you check your statement and find transactions on there you don't recognise let your bank know STRAIGHT AWAY. They can't do anything if you don't let them know.

WHERE DOES IT GO?

Activity 1, Checking a statement.

Tasha is 16 and has only had her current account for three months. She has a debit card and uses this to buy most of her everyday shopping. She also uses her card to take cash out from cash point machines.

Below is Tasha's August bank statement. She has noticed that there seems to be less money in her account that she thought there was. Luckily Tasha keeps a note of all of her spending and cash she takes out.

Portico Bank
Account Number 10675423
Sort code 30-43-87

Tasha Roberts

Date	Details	Transaction	Withdrawn	Paid In	Balance
	BALANCE BROUGHT FORWARD				£30.00
2 Aug	Accessories 4 You	DC	£6.40		£24.60
5 Aug	Cash Deposit	DSH		£35.00	£59.60
8 Aug	Sound System	DC	£10.99		£48.61
9 Aug	Thatch	SO	£15.00		£33.61
9 Aug	Cash Withdrawal	CSH	£20.00		£13.61
12 Aug	Cash Deposit	CSH		£35.00	£48.61
15 Aug	Summer Sports	DC	£4.80		£43.81
17 Aug	Piccolos'	DC	£8.98		£34.83
17 Aug	Cash Withdrawal	CSH	£20.00		£14.83
19 Aug	Cash Deposit	CSH		£35.00	£49.83
20 Aug	Cash Deposit	CSH		£40.00	£89.83
23 Aug	Glorious Gifts	DC	£43.00		£46.83

DC : Debit Card *CSH : Cash* *SO : Standing Order*

Tasha's Record

2nd August – Scarf £6.40
5th August – Work pay £35
8th August – New CD £10.99
9th August – Haircut £15 (monthly)
9th August – Money for night out £20
12th August – Work pay £35
15th August – Swimming £4.80
17th August – Pizza £8.98
17th August – Cash for cinema £20
19th August – Work money £35
20th August – Pocket money for month £40
23rd August – Two PS3 games £4.30

1. Check the Tasha's record against the bank statement to see if you can find out where the error is.

2. Whose fault do you think the error might be? What is your reason for this?

3. Keeping a record of your finances can be really useful for checking against your statement. It can also help you plan how you use your money.

WHERE DOES IT GO?

Activity 2, Building an ongoing budget.

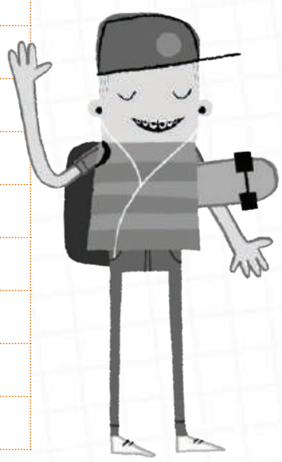
A budget doesn't have to be for just one month. You can write a budget for as many months into the future as you like. This can be really useful if you know there are particular times throughout the year when you have more money coming in or going out. If you can plan these into your budget it can help you cover periods that might be a bit more expensive than usual, and think about what to do with any extra cash.

In 'Stretching your money out' *Activity 2* we looked at Jason's income and expenditure. His income, after tax and National Insurance, was £900 every month.

His living costs were also about the same every month, at £778. This left his going out money and savings money to be decided.

Jason has put his income and living costs into the table below. For January he has also put in his going out costs and savings. At the end of January he had £52 left (Balance carried forward – c/f). This amount is brought forward (Balance brought forward – b/f) into February as it's the money he now has in his account at the start of February. The brackets show that this is money that he has spent.

	January	February	March	April	May	June
Balance b/f	£0	£52				
Income	900	900	900	900	900	900
Living Costs	(778)	(778)	(778)	(778)	(778)	(778)
Going Out	(50)					
Savings	(20)					
Balance c/f	£52					



Use the extra information Jason has given below to see if you can make sure that he always has enough money for the months ahead. Write the amounts into the table in the correct month and then work out how much he can also spend on going out and put into savings.

Make sure Jason never has below £0 at the end of each month. This would mean he would be overdrawn and the bank would charge him.

February
My mate's birthday. Gotta get a card and present. That will be about £40 all together.

March
Get my bonus from work. It was about £150 last year.

April
Need to pay that last bit of my summer holiday. That's £280.

May
Road tax needs to be paid. That's £120.

MAKING
A PLAN

It might be driving lessons, a laptop or even a trip away. There always seems to be something that you need to be planning for. These more expensive things often need to be saved for. You may well have some money in a Junior ISA, or other savings account, already. This is a great way to save regularly for those more expensive items.

Remember that you can't access the money in your Junior ISA until you're 18 though!

What will you be doing three years from now?

Have you thought about planning for some of life's major events, or more expensive items you want to buy?

Could you put a little money aside regularly to help plan ahead?

Three years time – three weeks time seems a long way away! How do you even begin to plan for things that may not happen until 10 or 20 years time? The answer is not as difficult as it might seem. If you think about the next six months there will be times when you know there are going to be additional costs. It might be a friend's birthday, Christmas, or a trip away. Because you know these things are coming up if you can put a little money aside each week you might be surprised at how much you build up for these occasions.

Planning for some of the bigger events in life, such as buying a first car, getting married or having a child can be done in a very similar way. The very best way of planning your finances for these events is to put a little aside as regularly as you can. Savings accounts, such as a Junior ISA, will help grow your money as they will pay interest on top of the money you have saved. The more money you save the bigger the amount of interest that gets paid.

Read all about the magic of compound interest in the glossary at the back, or watch this video **http://tinyurl.com/dy84s3g**

How savings can grow

Regularly Save

- £30 put into a savings account every month for 3 years at an interest rate of 4% would become £1,145.45.
- If £30 was saved each month for 10 years the amount would become £4,417.49.
- If £30 was saved each month for 30 years the amount would become £20,821.48.

What's the difference between savings and investments?

Savings ▸ When you put money into a savings account you are giving that money to a bank or building society to look after. The banks and building societies may use that money to make themselves some money (such as lending it out to other people), and because of this they agree to pay you some interest on top of your savings. The amount of savings you have at a bank or building society will never go down, and in nearly all cases will grow because of the interest. Savings accounts are seen to be a very safe way of saving your money.

Investments ▸ Some people decide to take a little more risk with their money. They can buy something with their money that they think will increase in value over time. This could be a piece of artwork or gold, but in most cases it is in shares of a company, or range of companies. If the artwork, gold or shares go up in value when you come to sell them you'll have made money. The risk with investing is that there is never any guarantee that the value will increase - it could be very likely, but never guaranteed. And it can just as easily go down! The main reason some people choose to invest their money rather than put it into a savings account is that there is potential to make more money through investments than through savings. So it really comes down to how much risk a person is willing to take.

Junior ISAs are available as a cash Junior ISA, which is just like a savings account, and a stocks and shares Junior ISA, which is a form of investment.

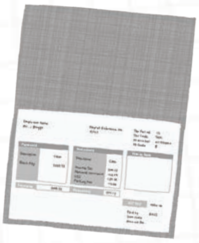
MAKING
A PLAN

Activity 1, Major lifetime events.

In order to plan ahead well you need to have a bit of an idea on how much some of the big events might cost. Below are 5 lifetime events, in squares, and 5 different amounts. Draw lines from the life event that you think matches the correct amount.

1. COST OF A CAR

2. COST OF A WEDDING OR CIVIL PARTNERSHIP



3. A YEAR'S INCOME FROM A FIRST JOB

4. COST OF A FIRST HOME

5. COST OF THE FIRST YEAR OF HAVING A BABY

A. £11,000

B. £10,261

C. £150,000

D. £7,162

D. £16,356

Check out the answers. Do any of these surprise you?

Most people will not be able to save enough to pay for the majority of these events, but by planning ahead they can begin to think about how their savings might be able to work with other financial products to help them achieve the goals they want.

The cost of looking after a child up to their 18th birthday is estimated to be around £200,000!

MAKING A PLAN

Activity 2, Imagine a windfall.

A windfall is the term used to describe a one-off amount of money you receive that you might not have been expecting. This could be money for a birthday, a win on the lottery or a bonus from work.

We've all dreamed about what we would do if we suddenly had millions, but unfortunately most windfalls tend to be a little smaller! For many young people in care for over 12 months the government will be putting £200 into a special savings / investment account called a Junior ISA. This money goes directly to the young person once they reach 18, and could have been added to by The Share Foundation or others over time.Hopefully it will also have grown a bit as a result of interest or possibly a gain in investment value.

The largest UK lottery win was by a couple from Scotland in July 2011. They won a total of £161 million!

Look at the three amounts below and explain what you would do with the money if it came to you in a windfall. Write your thoughts into the box next to them.

£200

£3,000

£15,000

Take a look back at your answers and think about the questions below:

1. Have you mentioned putting any of the money away for savings? It could be wise to put at least a small proportion of any windfall you receive into a savings account, such as a Junior ISA.

2. Is there any difference between what you would do with £200 compared with £15,000?

3. Check some of the costs of the items you said you would buy using the internet. Can you actually buy them with the amount you had?

COMPARE
THE MARKET

How do you choose the best bank account for you? Where is the best place to put your savings? We take a look at what you might want to compare, and how to go about making the right choices for you.

What other financial products are there other than bank accounts?

Would you ever read the small print?

Is your Junior ISA doing the best for your savings?

Financial products are all around us and most adults use them on a daily basis. Some of them are easy to recognise, but others you might not have thought of as financial products. One of the most common financial products is a mobile phone contract. These can be taken out from age 18. There is an enormous range of phones and phone contracts to choose from and most people will search around for the phone that suits them best, from the provider that offers the best deal.

Choosing other financial products should be done in exactly the same way. Different banks will offer a range of products, from bank accounts to loans and mortgages and specialist savings accounts. It can make a real difference if you take a bit of time to research and choose the one that works best for your needs and with the best deal. Just like a phone!

The most common financial products offered by banks are:

- **Current account –** this is a bank account that allows you to do all of your day to day transactions. Current accounts often come with a debit card that can be used to purchase items in shops without the need for cash. The money you spent comes straight out of your current account. You'll usually be able to use your debit card to take money out of a cash machine.
- **Overdraft facility –** this is a form of borrowing that links to your current account. It allows you to spend more than you have in your account, up to a certain limit. This is a form of short term borrowing and the bank will charge interest on it. Overdrafts must be agreed with the bank before you use them otherwise you'll end up paying charges and high interest on your borrowing. For the majority of people their overdraft is repaid each month when their income is paid in. **18**
- **Savings account –** another form of bank account, but this one is only for money you want to save. Money can be paid in whenever you like, but there may be some limits on how often you can take it out. The bank will usually pay you interest on your savings. Junior ISAs are a form of savings account.
- **Personal loan –** banks offer loans to individuals of up to around £25,000 over a period of up to five years. They will also charge interest on the loan amount, which can be quite high. Not everyone is able to get a loan as it depends a lot on your financial circumstances (such as if you have a job and if you own your own home). **18**
- **Mortgage –** similar to a personal loan, a mortgage is usually a larger loan provided to people so that they can buy a house. This again depends on the individual's financial circumstances as to how much they can borrow. Although interest costs are normally lower than personal loans, the loans can run over a very long period of time, usually 25 years, and if repayments are not made each month the bank can repossess the house (take it back and sell it to get their money back). **18**
- **Investments –** are offered by a wide range of financial service organisations: the most common types are funds and stocks and shares. They carry a varying degree of risk, meaning that your money can be worth less than originally invested, but they can also provide a significantly higher return than leaving your money in a savings account. Junior ISAs for young people under 15 years old will generally include investments.

18 : These are all borrowing products, which are only available to people over the age of 18.

COMPARE THE MARKET

Activity 1, Which savings account?

FRONTLINE STORY

Clarissa, 20
I've worked since I was 16. At 18 I left my carers and went to live on my own and got my first full time job. Over the last two years I've been able to save a little each month, and it has really surprised me how much has built up. Since I turned 18 I was also able to access the money in my Junior ISA, which helped me move into my current flat. At the moment I have around £1,200 saved and I'm going to keep saving towards either a car or moving into a better flat.

I try my hardest not to dip into my savings, but there have been times when I've not had any other choice, so I do need an account where I can get at them if I need them – and that needs to be fairly quick! I don't have a computer at home so I won't be banking online. I prefer to speak to someone in a branch anyway.

Savings Accounts

Have a read through Clarissa's Frontline Story above and then take a look at the details of the four savings accounts below. Use the information from Clarissa's story to choose which of the four options would be best for her.

	ACCOUNT A	ACCOUNT B	ACCOUNT C	ACCOUNT D
You can open the account with	£1	£100	£1	£1,000
Number of withdrawals allowed	unlimited	unlimited	3 per year	unlimited
Interest Rate (AER)	2,35%	2,50%	2,65%	3,10%
Notice period	Instant access	Instant access	30 days	30 days
Access	Branch, online, phone	Branch, online, phone and post	Online only	Post, branch, phone
Free gifts	A student railcard – save a third off all rail travel for a year	No gift	£10 put into your account after 12 months	Travel insurance for a year

Which account did you choose for Clarissa?

Think about the reasons you chose that account for Clarissa. These are the same things that you may need to think about when choosing your own savings account.

COMPARE THE MARKET

Activity 2, Types of borrowing.

Many of the financial products available are forms of borrowing. All of them are designed for a different reason. Types of borrowing can also be split into short term, medium term and long term borrowing.

Using the information below, link the product to its description and then to whether it is a short, medium or long term form of borrowing:

Be sure to shop around for borrowing products. Just like savings, different banks will offer different interest rates.

1. OVERDRAFT

2. MORTGAGE

3. CREDIT CARD

4. STORE CARD

5. PERSONAL LOAN

A. A loan usually used to buy a house. Most people will choose to pay it back over a period of 25 years.

B. A card you can use to purchase most goods and services. At the end of each month you'll be sent a statement of your spending which you must pay, or have interest charged on the amount you owe.

C. A loan to an individual used for things such as buying a car, decorating a house etc. The maximum amount is around £25,000.

D. This is a facility that allows you to spend more money than you have in your current account. You pay interest on the amount you borrow each month.

E. A card you can use to purchase items from a particular store. At the end of each month you'll be sent a statement of your spending which you must pay, or have interest charged on the amount you owe.

Long Term

Medium Term

Short Term

GETTING AHEAD

The world of money can change very quickly, and things like the interest you can get on your savings account can also change rapidly. It can be very useful to be aware of these changes to make sure you're always getting the best deal.

Where can you get further advice about your finances?

Why bother staying informed?

If your bank changed the interest rate they paid on your savings this would have an effect on how much interest you would receive. If they increased the rate, you would get more each year, but if they reduced the rate you would get less. It is always worth keeping an eye on the interest rate you are being paid and look around to see if there is a better deal anywhere else.

So, how do you 'shop around'? Where can you go to find out more about the best deals that suit your needs? Well, there are a number of different sources of information, and advice that can help you.

Remember all financial service companies are competing with each other for your business. There are usually deals to get, but you must make sure you look around.

Sources of information and advice:

- **Newspaper –** these often have a money section which includes 'best deal' tables. These are tables show the top 5, or top 10, types of various products (such as, savings accounts, personal loans and credit cards). The newspaper may also have some written opinions from the person who has written the article.
- **Television or radio –** on the news, and often in separate programmes with a focus on money (such as Money Box at 12 noon on Saturdays on Radio 4), similar information as in the newspapers can be found on television.
- **Friends and carers –** they probably know you the best of everyone, and because of this they may be able to make suggestions about what might work best for you.
- **An Independent Financial Advisor –** this is someone whose job it is to give advice to people on their financial situation and recommend financial products that they think will suit them best. They can choose from all of the products provided by all of the banks and other financial providers. Some independent financial advisors will charge for their service, but others will be free to the customer.
- **Your bank –** most banks now have a qualified advisor in each of their branches that can sit down with you and talk through your finances and recommend products that might be suitable to help you. These are usually free, but the advisor will often only be able to discuss products that their bank provides.
- **The internet –** there are loads of websites which have tools and calculators etc which could help you learn more about savings and investments. This is a great thing to do anyway, but you may also want to manage your Junior ISA when you turn 16, but to do this you will need to know more about the way they work. Make sure though that any websites you use are reputable and independent (so that they're not trying to sell you anything).

GETTING AHEAD

Activity 1, Staying on top.

FRONTLINE STORY

Rhianna, 19
From about the age of 12 I had a savings account that my carers set up for me. I didn't realise it at the time, but they were putting money into it regularly for me. At around 16 I took control of the account and it got put into my name. It was so tempting to go on a huge spending spree, but I knew if I did it would be gone, and I'd have nothing really to show for it.

When the account got opened in my name I remember the bloke at the bank telling me how much interest it would be earning each year, and that seemed pretty good. Last year I got my statement for the savings account and saw that the interest was a lot lower than I'd expected. I spoke to the bank and they told me it had changed and was now a lot lower than it had been. It had been like that for at least a year, but I'd not checked it.

I used the internet to search for a different savings account. There looked to be some really good interest rates, but they were with banks I had never heard of, so I went for one with a pretty good rate, but a bank I know. I went to the branch and talked through moving my savings from where they were to this new account. From there the bank pretty much did the rest. It was a lot easier than I thought, and I wish I'd kept a closer eye on the interest rate and moved my savings earlier. I know to do that from now on!

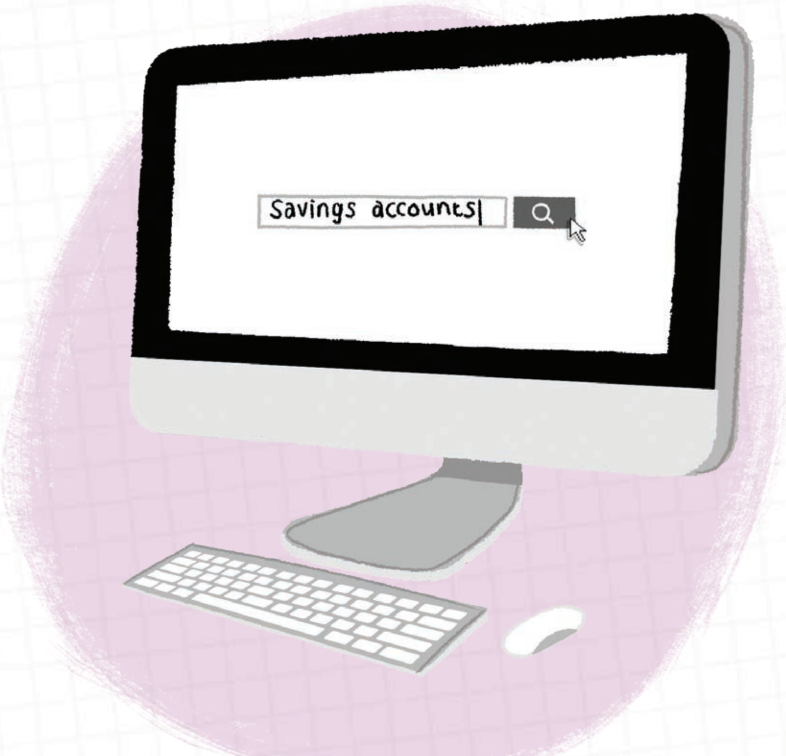
1. What is the problem if the interest on your savings account goes down?

2. What did Rhianna decide to do once she realised her interest rate was so low?

3. How did Rhianna go about searching for a better deal?

4. Why did she not choose the best rate possible?

Give three other ways that she could have found out a bit more about the variety of savings accounts she could choose from:



1. ....

....

2. ....

....

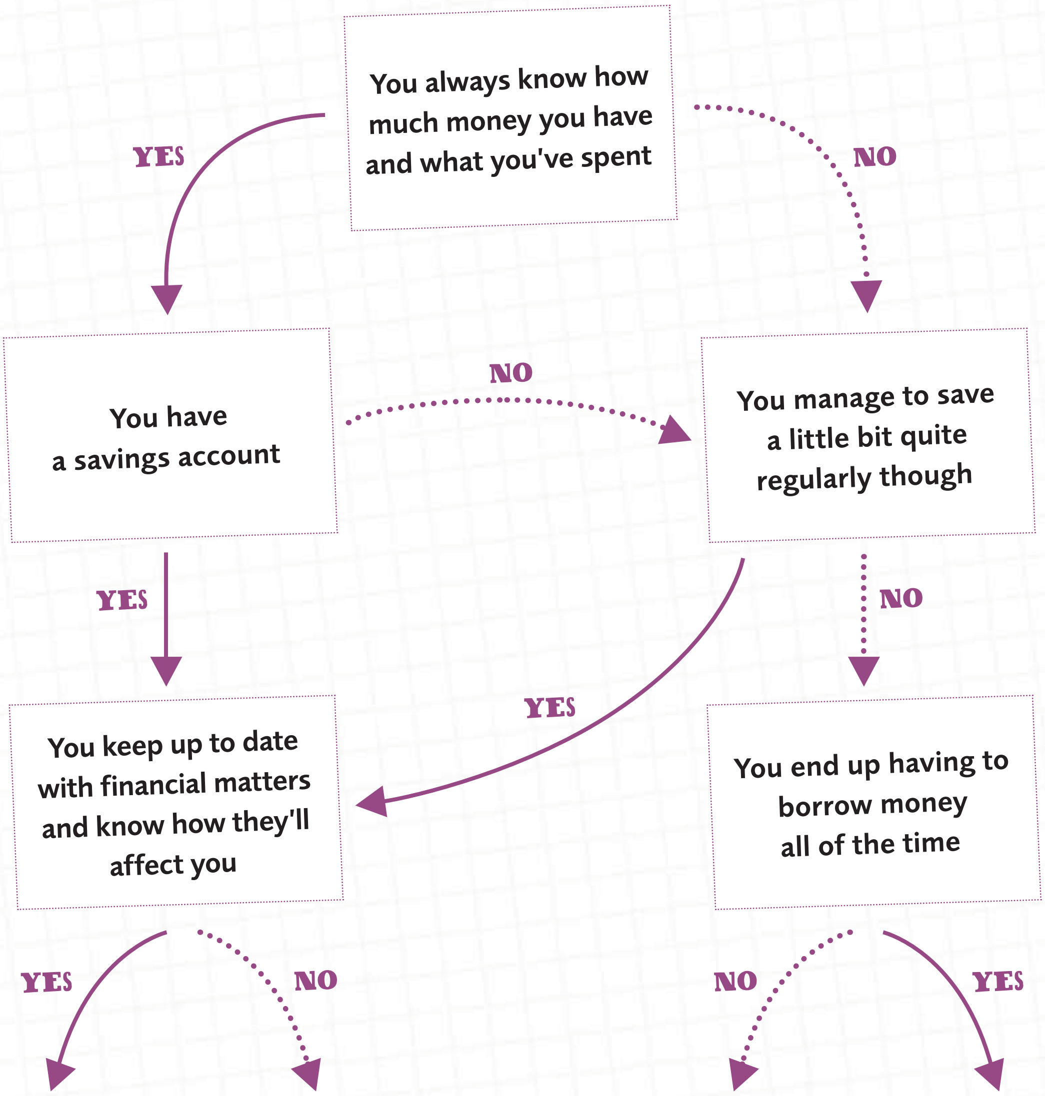
3. ....

....

GETTING AHEAD

Activity 2, Spender or saver?

Try your hand at this quick quiz!



Wow – you're ahead of the game. That's a great position to be in, but do remember to strike a balance between saving and spending.
Try to keep up to speed with financial matters and know where you can go to get advice.

You've made a great start. Saving regularly is the best way to build up a tidy sum. If your savings aren't yet in a savings account look around for a good deal. Get some advice and check the interest rate regularly.

Although you're not quite on top of your finances, at least you're not getting in debt.
Try to make a budget and plan to save just a little every so often. You could even set up a savings account and speak to your bank about it.

Well, we've all got to start somewhere! Firstly try writing out a simple budget for each week. If you can do that without borrowing, that's great.
Maybe speak to your carers or friends about tips they have about saving.

ANSWERS

Most of the choices or decisions we make about money are exactly that, just our own thoughts and often there isn't a right or wrong answer. In this book there are a few activities which do have answers that can be checked. These are listed below.

STRETCHING YOUR MONEY OUT

Activity 1, Offers and Deals.

As it happens, the most expensive and the most important are the same! Here is why, and how much each thing costs:

1. Rent (Average £330 per month) – If you don't pay your rent then you run the risk of losing your home.

2. Food (Average £160 per month) – We all have to eat.

3. Council Tax (average £118 per month) – This is a tax that the government set based upon the value of the property you live in. More expensive properties will attract a higher tax. Failure to pay the tax can result in fines and even a prison sentence in extreme cases.

4. Gas – (Average £35 per month) – For most people the cost of gas is higher in the winter as you're using your heating a lot more. To try and spread the cost of this over the year - many people put extra money aside during the summer when they are using less to cover the winter costs. If you don't pay you'll get extra charges and they could eventually stop your gas supply – this is called 'getting cut-off').

5. Electricity – (Average £30 per month) – The cost of electricity does not change as much as gas over the year, but it is still higher during the winter when your lights are on for much longer periods. Certain appliances such as a tumble dryer can use large amounts of electricity so try putting washing out to dry instead. If you don't pay you'll get extra charges and they could eventually stop your electricity supply – this is called 'getting cut-off'.

Activity 2, Jason's Budget Planner.

Jason's Budget Planner

JASON'S INCOME	£900
JASON'S EXPENDITURE	
Living costs	**£ 778**

Jason's living costs come to £778. This leaves him with £122 for 'Going Out', 'Saving' and anything else that you thought of.

When deciding what Jason should do with this £122 it's worth remembering that you should always have a balance between spending and saving. We all need to go out and enjoy ourselves sometimes, and this may involve spending some money. It's also important to try and save something if we have money left over like Jason does.

WHERE
DOES IT GO?

Activity 1, Checking a statement.

Tasha's Record

2nd August – Scarf £6.40
5th August – Work pay £35
8th August – New CD £10.99
9th August – Haircut £15 (monthly)
9th August – Money for night out £20
12th August – Work pay £35
15th August – Swimming £4.80
17th August – Pizza £8.98
17th August – Cash for cinema £20
19th August – Work money £35
20th August – Pocket money for month £40
23rd August – Two PS3 games £4.30

The mistake is in Tasha's record of her spending. The transaction on 23rd August has been written in as two PS3 games for £4.30. Just by looking at the amount we can tell this is probably not correct. Tasha should have recorded £43.00. This would then match against the bank statement.

Activity 2, Building an ongoing budget.

There are quite a few different ways that you could change the going out and savings amount to always make sure Jason has enough money each month. Below is just one example of how it could be done. Yours might look very different.

The brackets show that this is money that he has spent.

	January	February	March	April	May	June
Balance b/f	£0	£52	£64	£276	£58	£0
Income	900	900	900	900	900	900
Bonus		150				
Living Costs	(778)	(778)	(778)	(778)	(778)	(778)
Going Out	(50)	(50)	(40)	(40)	(40)	(50)
Savings	(20)	(20)	(20)	(20)	(20)	(20)
Mate's Birthday		(50)				
Holiday				(280)		
Road Tax					(120)	
Balance c/f	£52	£64	£276	£58	£0	£52

Planning ahead like this is a really useful skill. It can let you know if you're going to be a bit tight of money well in advance, so at least you have time to sort it out before it happens.

ANSWERS

MAKING
A PLAN

Activity 1, Major lifetime events.

1. Cost of a car – £7,162
Remember the cost of the car is just the start! Before you can even get moving on the road you'll also need road tax, insurance and a tank of petrol. In some cases the cost of insuring your first car can be more expensive than buying the car itself!

2. Cost of a wedding or civil partnership – £11,000
This all depends upon the wedding you want. Some people will spend far more than this and others far less. It just depends what's important to you on the day.

3. A year's income from a first job – £16,356
It can seem like quite a lot of money, but this is the figure before income tax and National Insurance have been taken off. On this wage you would be left with around £13,480 after those have been taken off. Remember you'd probably be living on your own then as well so would have to pay for rent, bills, food, clothes etc, as well as trying to save a little every month.

4. Cost of a first home – £150,000
This is the average across the whole of the UK. There will be cheaper areas and more expensive areas. It is an extremely expensive thing to buy which is why most people have to borrow the money from the bank. This is called a mortgage, and because the amount you borrow is so large it is often paid off over 25 years.

5. Cost of the first year of having a baby – £10,261
Children are very expensive. The first year of a baby's life is particularly expensive due to all of the one-off equipment you need to buy such as a car seat, pram and cot. There are also all of the ongoing costs such as clothes, nappies and food.

COMPARE
THE MARKET

Activity 1, Which savings account?

Savings Accounts

ACCOUNT B is probably the best choice as it allows her to take money out when she needs, has a branch facility and gives a higher rate of interest than ACCOUNT A.

If Clarissa used the train regularly it may be that Account A might be a better deal for her. Although the interest rate is lower, the amount she might save using the student rail card might be higher than the difference in the interest rate.

ACCOUNT C is online only, so not convenient for Clarissa as she has no internet connection.

ACCOUNT D has a 30 day notice period, meaning you have to let the bank know you want to withdraw some money 30 days in advance. Clarissa is never really sure when she needs to take her money out so this would not be right for her at the moment. If she could plan a little better this would probably be the best option as it has everything else she wants as well as the highest interest rate.

COMPARE
THE MARKET

Activity 2, Types of borrowing.

1. OVERDRAFT
2. MORTGAGE
3. CREDIT CARD
4. STORE CARD
5. PERSONAL LOAN

A. A loan usually used to buy a house [...]

B. A card you can use to purchase most goods and services [...]

C. A loan to an individual used for things such as buying a car, decorating a house etc [...]

D. This is a facility that allows you to spend more money than you have in your current account [...]

E. A card you can use to purchase items from a particular store [...]

Long Term

Medium Term

Short Term

GETTING
AHEAD

Activity 1, Staying on top.

What is the problem if the interest on your savings account goes down?
If the interest rate on your savings account goes down this means you'll earn less interest over the course of the year.

What did Rhianna decide to do once she realised her interest rate was so low?
She looked around for other savings account with better deals. One of the things to look out for and compare is the AER or Annual Equivalent Rate. This shows you exactly how much interest your savings will earn over one year. All savings accounts must display an AER so you can compare them quite easily. Other things you might want to watch out for are:

- How much money do you need to open the account
- Can you get your money out when you like (called instant access) or do you have to give them notice (this is usually between 30 days and 90 days, but can be longer).
- How many withdrawals you are allowed to make in a year. Some let you make as many as you like, whilst other limit you to just a few times a year.

How did Rhianna go about searching for a better deal?
She used the internet. This is a really useful place to search for and compare all sorts of financial products. There are certain websites that are have been set up especially to help you make these comparisons.

Why did she not choose the best rate possible?
The best rate was with a bank that she had not heard of before and she felt safer going for a slightly lower interest rate, but with a bank she knew. Sometimes the highest interest rate is not always the best savings account for you, and you need to think about other things, such as how long it will be before you can access the money, before making your decision.

Other ways in which Rhianna could have found out more about the variety of savings accounts could have been:

- Asking carers and friends
- Looking in the money section of a daily newspaper
- Speaking to a specialist in the different high street banks
- Going to see an independent financial advisor.

GLOSSARY OF FINANCIAL TERMS

Account
An Arrangement with a bank or building society to hold your money in an account and allow you to take it out when required.

Balance
The amount of money you have in your account at any particular time or which you owe on your credit or store card or on a purchase after the deposit has been paid. It will be shown on your statement.

Bank account
A service from a bank or building society which lets you pay in money, get cash out and pay bills etc. The bank keeps a record of all transactions.

Bank statement
A piece of paper that shows all the money that has been paid into an account and paid out from an account. Statements are usually sent each month.

Banknote
A piece of paper money, where the bank will pay the amount of money shown on the note.

Borrowing
Getting money from someone else that you intend to pay back after some time. You might borrow informally from friends and family or take out a formal loan with a written agreement from a bank or building society.

Budget
An amount of money set aside for something or it can also be a summary of intended expenditure and income to cover it.

Cash
Cash is the simplest way of buying something. It is not a good idea to send cash payments through the post, but you can pay bills such as gas and electricity in cash by using the Giro payment system available through post offices and banks.

Cashcard
Cashcards or cashpoint cards are the simplest type of account cards. They can usually only be used at cash machines (with a personal identification number, or PIN) to withdraw cash, check your balance or print out a mini-statement.

Child Trust Fund
A Child Trust Fund (CTF) is a tax-free saving/investment account opened for children born between 1 September 2002 and 2 January 2011. The Government made contributions into these accounts until this latter date. CTFs for children in care without anyone in a position of parental responsibility are managed by the Official Solicitor, and The Share Foundation has made additional contributions to some of these accounts between 2005 and 2010.

Credit cards
A small plastic card available from most banks that allow you to borrow money up to a certain limit. When you buy something with your credit card the amount you spend is added to your total borrowing. Every month you are sent a statement to show how much you have borrowed and how much you need to repay. If you don't repay the full amount, you will start paying interest at quite a high rate. Some organisations charge you more for using a credit card than a debit card.

Current account
A low-interest bank or building society account which helps you to manage your day-to-day money, pay bills, receive money and keep money secure.

Debit cards
A small plastic card used to buy things without using cash or a cheque when paying in shops, shopping by phone or on the internet. When you make a payment or withdraw cash with your debit card, the money is taken straight out of your account electronically. You cannot borrow money on a debit card.

Debt
If you are in debt you owe money to someone or an organisation.

Direct debit
An instruction to your bank to release money from your account to pay bills and other amounts automatically. The billing company requests the money from the bank directly. You are told in advance in writing how much will be taken and the date it will be taken out of your account.

Expenditure
The amount of money you spend on goods or services.

Income
Income is the total money you have coming in, such as wages, benefits (like income support or child benefit) and child maintenance payments and income from investments.

Interest
The reward you get for lending your money to, for example, a bank or a building society. It is also the extra cost you pay when you borrow money through a loan or credit agreement. It is usually worked out as a percentage (the interest rate) of the money you have borrowed. For instance, if an interest rate is 10 per cent and you borrowed £100, the interest you have to pay will be 10 per cent of £100, or £10.

Investments
Investments are offered by a wide range of financial service organisations. The most common types are funds and stocks and shares. They carry a varying degree of risk, meaning that your money can be worth less than originally invested, but they can also provide a significantly higher return than leaving your money in a savings account. Junior ISAs for young people under 15 years old will generally include investments.

ISA
Individual Savings Account; an account where you don't pay tax on interest earned. There is a set limit of how much you can save in an ISA each tax year.

Junior ISA
Junior ISA is a savings or investment account for children and young people aged under 18. No tax is payable on interest earned or gains in investment values. There is a maximum limit of how much can be saved in a Junior ISA each tax year (6th April to 5th April in the following year). All children and young people in care continuously for over one year and without a Child Trust Fund will have a Junior ISA opened for them by The Share Foundation with an initial £200 from the Government.

Personal loan
Loans that you can use to pay for whatever you want (subject to certain restrictions).

PIN
Personal Identification Number: a four-digit security number used with cash machine, credit cards and debit cards. It is like an electronic signature that stops anyone else using your account.

Salary
An amount of money paid to an employee for a job, usually paid directly into his or her bank account every month.

Savings
Any money you put aside for future use. This may be in a deposit account or under your bed (but this is probably not the best place for it!).

Savings accounts
Savings are often kept in bank, building society or National Savings accounts. The amount you put in does not fall in value but may grow as interest is added.

Transaction
A transaction is any payment in or out of a bank account.

Withdrawal
Money taken out of your account.

The magic of compound interest

Compounding interest means that the interest you earn in year 1 gets added to your savings total (sometimes called the principal). This increases the principal and (assuming you don't take any money out) that increases the amount of interest you would earn in year 2, and so the cycle continues. To explore compound interest further and how you can calculate it yourself take a look at the BBC Bitesize website at the following link – **http://tinyurl.com/dy84s3g**

Further support

If you have enjoyed using this workbook, you may like to have a look at some other resources, games and books that will help you get to know money even more. Have a look on **pfeg**'s website: **www.pfeg.org/resources**

CARERS, TEACHERS AND CORPORATE PARENTS

This workbook is designed to help children in care develop their financial capability, so that they are better able to manage their finances when they become independent.

This document forms part of the financial educational element of the Department for Education initiative to provide Junior ISAs for Looked After Children (also known as children in care). The initiative, led by the Share Foundation, provides children in care who are not in receipt of a Child Trust Fund, with a junior individual savings account (Junior ISA). For more information on the Junior ISA initiative, see **www.sharefound.org.**

Along with this workbook for young people in care aged 15, **pfeg** (Personal Finance Education Group) has also produced, on behalf of The Share Foundation, the following materials as part of this project:

- A workbook for young people in care aged 11
- Financial Capability and Looked After Children: the role of Corporate Parents
- Financial Capability and Looked After Children: guidance for carers and residential care workers

All materials are available at **www.pfeg.org/JISA** or **www.sharefound.org**. There are also a plethora of resources, games and materials for use with young people around money matters, all available at **www.pfeg.org**

About this resource

Whilst this resource has been designed specifically to enable young people to access it independently there may be circumstances where carers or designated teachers (where applicable) do work alongside in a supporting role, or with a group of young people. In such circumstances, there are some ideas below as to how you may engage the individuals you are working with in personal finance education:

- The idea of doing 'extra work' outside of school, particularly on a topic such as money that can be seen to be a bit dull and boring, can be a very hard sell. It can be useful to initiate discussion around sought after items, such as mobile phones. The vast majority of these will have financial elements attached to them that can be linked to the themes in this resource. By making the link between money and sought after items you can build engagement and develop a sense of ownership of what the learning could help the young person to achieve.

- Discuss with the young person the fact they may have a Junior ISA, or other savings product, and that a relatively significant sum of money may become available to them at 18. This again generates a purpose for them to understand a little more about managing their money, and in turn will develop engagement.

- The info pages for each section could be used as a discussion tool. Talk together about some of the key issues and how they could be relevant to the young person. Following this work collaboratively through one of the accompanying activities, possibly allowing the second activity to be completed independently.

- Accompany the learning within the resource with some real life examples of money issues. These could be from your own experiences, an article on the news, or snippets from television shows. Young people really appreciate the opportunity to explore the relevance of their learning and through such examples you will be helping to provide this.

- Be prepared to jump from one section to another and then back to the first. There is no set order in which to approach the resource content. What is most important is that you use the parts that are most relevant for the young person you are working with.

- Although not always possible, practical experience of what has been learnt from using the resource can be hugely beneficial. Examples of this could be looking at real bank statements, planning the food budget for a week or exploring accounts in different high street banks.

The resource follows the five learning domains identified by the Financial Services Authority[1] (albeit using slightly more child friendly titles):

- Making ends meet (Stretching your money out)
- Keeping track of my finances (Where does it go?)
- Planning ahead (Making a plan)
- Choosing financial products (Compare the market)
- Staying informed about financial products (Getting Ahead)

For each of these domains there exists a page of key information for the young people to read and reflect upon. Following this are two related activities designed to be completed independently, and in many cases interactively, to develop the learning. There is no prescriptive order to the completion of the learning domains.

Topic areas covered within the resource are a result of two focus groups of young people in care.

Personal Finance Education

Personal finance education aims to equip young people with the knowledge, skills, and confidence to manage their money well. Equally important – each person will need to understand their attitude to risk and will need to be aware of their own behaviour and emotions when making financial decisions.

Personal finance education consists of three components of learning:

- **Financial knowledge and understanding**
- **Personal finance skills**
- **Attitudes to managing personal finance**

The use of this resource book aims to allow young people in secondary education the opportunity to develop and extend their learning in this very real, relevant and extremely important area.

Further support available

In addition to the materials listed above, **pfeg** also provides a specialist telephone support service. This helpline support corporate parents, carers and designated teachers across the UK by helping them select relevant educational materials which can be used by carers and the young people in their care, to encourage learning about money and in particular savings and Junior ISAs. Access the **pfeg** financial education advisory service helpline at 0300 6660 127 or **support@pfeg.org**

About The Share Foundation (**www.sharefound.org**)

The Share Foundation is an independent charity which has been appointed by the Department for Education to provide Junior ISA savings/investment accounts for all young people in care (known as 'Looked After') for over one year continuously, who do not have a Child Trust Fund. The Share Foundation is responsible for:

Establishing each account with an initial grant of £200 from the Government;

Raising additional voluntary money by encouraging individuals and organisations to contribute and invest in the futures of these young people.

Monitoring the operational and investment performance of these accounts for best results; and

Providing financial education with the help of **pfeg**.

About pfeg (**www.pfeg.org**)

pfeg (Personal Finance Education Group) is the UK's leading organisation helping schools to plan and teach children and young people how to manage their money now and in the future.

pfeg's mission is to support education providers in giving children and young people the skills, knowledge and confidence to manage money. We do this by:

- Influencing policy and practice
- Supporting educators in teaching money matters with confidence
- Providing education resources that will engage and inspire.

[1] FSA (2006) Financial capability in the UK: establishing a baseline

NOTES

MAKING YOUR MONEY WORK FOR YOU

A workbook for young people in care aged 15 onwards

Department for Education

Building an inheritance for young people in care

sharefound

'The UK's leading financial education charity'

Personal Finance Education Group

pfeg Fifth Floor, 14 Bonhill St.
London EC2A 4BX
www.pfeg.org/JuniorISA

T 020 7330 9470 / 0845 241 0925
E info@pfeg.org
follow us on Twitter @pfeg_org

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