

**LIFE SKILLS**

# Managing money

**TEACHERS NOTES**



**Easy  
read**



**TRADING  
STANDARDS**

## MANAGING MONEY

Young people need to prevent getting into debt by making informed, educated choices and taking responsibility for their actions when buying items, such as mobile phone contracts, gym memberships student loans, opening bank accounts, borrowing money and understanding a payslip.

## MOBILE PHONES

The option that is best for you will depend on how much you use your mobile for calls, texts and internet browsing, and how often you want to upgrade to a new handset. The three options to choose from are:

### Pay-monthly mobile phone contract

#### For heavy users buying a top-of-the-range smartphone

With a contract phone you pay a single monthly fee for a fixed period of time. Most mobile phone contracts are set at either 12 or 24 months and provide mobile customers with a handset and a monthly allowance of calls, data and texts.

You choose the package of minutes, texts and data that you think will best suit you, and you pay a fixed price for them every month.

Consider whether it is the right contract for you as it can be very expensive and can be difficult to cancel. Can you afford the monthly payments and how long is the contract? Do you really need the internet if you also have a laptop?

Pay monthly contracts usually offer more competitive deals on calls and texts than Pay As You Go deals.

The downside of monthly contracts is that over the course of the contract term, the total you pay out is much more than if you had bought the phone outright and then signed up for a SIM only contract with the same allowance.

You will need to pass a credit check and be over 18 to take out a monthly contract.

### Sim-only contract

#### For heavy users who already own a phone

A Sim-only deal gets you a new mobile Sim card, to use in your existing phone. You will still get an allowance of calls, texts and data, but the monthly cost will be lower than it would be with a regular pay-monthly mobile contract.

### Pay-as-you-go (PAYG) mobile phone

#### For light phone users who spend less than £10 a month

With a pay-as-you-go tariff, there is no fixed monthly fee to deal with and you do not have to sign up to a direct

debit agreement. Instead, you pay for your phone use by topping up your mobile credit in advance. Once you have used up all your credit, you will not be able to make outgoing calls or texts until you top-up again.

### Mobile phone insurance

Most networks will try to sell you mobile phone insurance when you take out a new phone deal. This is not cheap, and you may find that you are already covered by your home insurance policy. If you do decide that you want phone insurance, then do not feel you have to sign up on the day or that you have to choose the deal offered by your network - you could find a better deal if you shop around.

### Mobile phone fraud

- **Missed call / text fraud:** Never reply to a call or text from a number unknown to you. You will be redirected to a premium rate service costing up to £15.
- **Ring tone fraud:** Do not be attracted to an offer of a 'free' or low cost ring tone. You would be subscribing to a service that keeps sending you ring tones and you will be charged a premium rate for them.
- **Recorded message fraud:** The message says you have won a prize and gives you another number to call to claim it. It will be a premium rate number or your prize will be a ring tone subscription.
- **Phone insurance fraud:** The criminal poses as your network provider and offers you phone insurance. You may be asked to provide personal information that is used for identity fraud, or payment for the non-existent policy.

## GYM MEMBERSHIP

### Do your research

Check membership rates; contract terms; initiation fee; pay-as-you go fees; opening times etc.

### Guest pass

Most gyms offer guest passes, which allow you to work out at their gym free for a week and you can decide whether you want to become a member.

### Pay-as-you-go

Think about how many times you would realistically use the gym. If you do not use the gym on a regular basis it would actually work out cheaper to use pay-as-you-go.

### Gym membership cancellation

It can easily become an unwanted financial commitment. You should think carefully before signing on the dotted line - remember a gym membership is a legally binding contract. Your right to cancel will depend on the contract you signed.

If you want to cancel your contract, the only way to guarantee you are not penalised for doing this is to cancel within the cooling-off period so check this on the contract before you sign

## Cooling-off period

If you entered into the contract over the phone, online or in your own home, you have 14 calendar days to cancel the contract under the Consumer Contracts Regulations.

The cooling-off period starts the day after you agree to go ahead with the service.

**Remember:** If you want the contract to begin straight away, you waive any cooling-off rights you have.

## Contract terms

It is important to be aware of what your contract outlines.

You probably won't be able to cancel if you have changed your mind about wanting the membership. You can try, but you have legally entered into a contract with the gym.

Agreements should be clear. Take the time to read the contract through to make sure you understand the terms.

The agreement you signed may commit you to being a member for a certain amount of time, and if this is the case, you may not be able to cancel or stop paying.

Make sure you're aware of any minimum terms before you sign a contract.

You should also check your contract for any notice periods you may need to give to cancel.

You will normally have to pay the full cost of your contract if you want to cancel a gym membership early. For example, if you cancel a one-year contract after 6 months, you will usually have to pay for the remaining 6 months.

There are a few circumstances when you might be able to cancel without paying a fee. Even if you can cancel, it is likely that you will have to give a notice period (e.g. 30 days).

## When you can cancel without paying

- Your gym should let you cancel your contract if you have a serious injury or illness that is preventing you from exercise. You will need to get evidence from a doctor or medical professional to prove that you cannot exercise.
- Your gym should let you cancel your contract if you have had a change in circumstances that means you cannot afford the monthly payments. It would have to be something significant, e.g. you have lost your job or suddenly found yourself in a lot of debt. You will need evidence to prove this to your gym.

## STUDENT LOANS

Martin Lewis called for student loans to no longer be called student loans, because 'they are not loans; they are a graduate contribution proportionate to what you earn'. He believes calling it a 'loan' normalises debt.

### Student loans are income based loans

You may be able to borrow money to help pay for university or college tuition fees and to help with living costs.

You might get extra money on top of this, for example if you're on a low income, are disabled or have children.

### Repayment of the loan

You start repaying once you earn over a certain amount. The size of your monthly repayments will depend on how much you earn, not what you owe.

You'll be charged interest on the loan from the day you take it out. The terms and conditions can change.

### When your loan will be cancelled/written off

If you lived in England or Wales when you took out your first student loan in or after academic year 2006/07, then it will be cancelled 25 years after you became eligible to repay.

If you're making repayments on a student loan, this will be shown on your payslip. HMRC will tell your employer how to work out and deduct the right amount. Keep your payslips and P60 as a record of the repayments in case of any problems.

## BANKING

There are various cards that allow you to access money and pay for goods or services. Some of these are debit cards, credit cards, store cards or reward cards/loyalty cards.

### Debit cards

- These can be used if you are at least 11 years old.
- This plastic card can be used to withdraw money from your account at cash withdrawal machines (ATMs) or pay for goods and services in shops or online.
- Some shops allow you to get cashback. This means you can withdraw cash at the same time as buying items.
- The money spent will come straight out of your bank account.
- Remember you can only spend as much as you have in your account.
- If you spend more money than you have in your account, you will be 'overdrawn'. This is very expensive if you do not have an authorised overdraft. You will be charged a high interest rate and also a daily fee. The bank will usually return (bounce) any cheques you write and other payments such as direct debits from your account. You will be charged extra for unpaid items. Keep a careful check on the amount in your account (the balance) and check your bank statements as soon as you get them. If you think you might go overdrawn, get in touch with the bank straight away to make an agreement. The quicker you pay, the less it costs.

### Banking fraud

- Never tell anyone your pin number. Do not let your card out of your sight. Check your receipts and do not throw receipts away.
- With online banking be aware of a 'Phishing' scam. You may receive an email asking for your bank account details and card number. Do not reply to the email even if it looks as if it has come from your bank or building society. They will never ask you for your personal details.

### Credit cards

You have to be at least 18 years old to apply for this type of card and must pass credit scoring. It is a plastic card you can use to pay for goods or services even if there is not enough money in your account. Using a credit card can be a convenient way to pay for goods and services and give you more choice about where you shop. It can be a cheap way of borrowing money for a short period of time but can work out expensive if you can't pay off the whole amount you owe each month. Interest rates can be high. If you only pay the minimum payment you will stay in debt for a long time.

### Store cards

Available to people aged 18 years old or above who pass credit scoring when applying. It is a plastic card that provides credit on purchases in particular stores up to a certain amount. It is used as a method of payment only in the stores it is linked to. You can spend money that you don't have, but you will have to pay interest (often high) if you do not pay it all back with an agreed time.

### Reward cards (also Loyalty cards)

A card which encourages shopping at one particular store or outlet by rewarding the consumer with points they can accumulate and spend in store instead of cash or discounted products.

You have to be over 18 to get a credit card, store card or reward card.

## BORROWING MONEY

Some people may need to borrow money at some point and there are several ways to do this. Some ways cost a lot more than others.

Borrowing money works in various forms including:

- Loans
- Overdrafts
- Credit cards
- Credit agreements
- Interest free credit
- Store Cards
- Hire purchase
- Consolidation loans
- Mortgages

## LOANS

When you borrow money from a bank or other lender you enter into a contract with them which governs the repayment.

You have to be 18 years old to be able to enter into such a contract.

**Example: you arrange to borrow £1000 from a bank. The bank will offer you a period of time over which you can repay the money usually stated in months e.g. 12, 18, 24 months etc.**

You will have to pay 'interest' on what you borrow, which means that you will pay back more than you actually borrowed. The bank will tell you what their interest rate is stated as Annual Percentage Rate (APR).

They will tell you how much interest is charged per month and how much your monthly repayments will be.

They should also total these figures up so you can see how much you are paying in total.

You will also agree the means of payment e.g. standing order, cash payments, cheques etc. and the date each month when you must pay.

## UNDERSTANDING YOUR PAYSリップ

It is important to understand your payslip so that you know how your pay is worked out and to make sure you are being paid the right amount of money.

Your payslip contains important information, including your payroll number, your tax code, and your gross and net pay.

All employees are entitled to an individual, detailed payslip – at or before the time they are paid. It may be on paper, sent to you by email or accessed through a website.

The right to a payslip applies to casual staff as well as employees. It doesn't apply to independent contractors or people working freelance.

Remember to check your payslip regularly and check it shows the same tax code as your latest tax invoice.

Information your payslip must show

- **Gross pay** = Your full pay before any tax or National Insurance has been taken off.
- **Net pay** = The total amount you take home after deductions.
- The amounts of any deductions and what they are for i.e. tax and National Insurance

Additional information your employer might include (but not required to), such as

- Tax code
- National Insurance number
- Pay rate (annual or hourly)
- Additional payments, such as overtime, tips or bonuses (these must be included in your gross pay figure).

## National Insurance Number

You must have a NI number to work in the UK. You have the same NI number throughout your whole life – even if you change your name. It is your personal number for the whole of the social security system. It is used to make sure all your contributions are recorded properly, and helps to build up your entitlement to state benefits – like a pension.

## Keeping your payslip

It is important to keep your payslips in a safe place

- Payslips contain a lot of personal information about you and your earnings, including your National Insurance number. Keep them safe to help avoid them being used for identity fraud.
- Keep a record of all your earnings and tax payments in case there is a problem and you need to check old details.
- For some financial products, such as loans, you might be asked to prove your earnings by showing your last three payslips.

## Resources & links

<https://natwest.mymoneysense.com>

[www.moneymakesense.co.uk/](http://www.moneymakesense.co.uk/)

[www.pfeg.org/](http://www.pfeg.org/)

[www.pfeg.org/resources/details/spending-sense-special-needs-resource](http://www.pfeg.org/resources/details/spending-sense-special-needs-resource)

## Mobile phone

[www.moneysavingexpert.com/phones/mobile-phone-cost-cutting](http://www.moneysavingexpert.com/phones/mobile-phone-cost-cutting)

[www.uswitch.com/mobiles/guides/understanding-mobile-phone-jargon/](http://www.uswitch.com/mobiles/guides/understanding-mobile-phone-jargon/)

## Student loan

[www.moneysavingexpert.com/students/student-loans-tuition-fees-changes](http://www.moneysavingexpert.com/students/student-loans-tuition-fees-changes)

[www.studentloanrepayment.co.uk](http://www.studentloanrepayment.co.uk)

[www.moneyadviceservice.org.uk/en/articles/repaying-student-loans](http://www.moneyadviceservice.org.uk/en/articles/repaying-student-loans)

# Questions

## Question 1

Someone telephones you. They advise you to upgrade your mobile phone and change to a different company.

You tell them you still have 3 months left on your current contract. They say they will pay what is left of the contract and arrange for the new upgraded phone.

**What should you do?**

- a) Agree and change contracts
- b) Negotiate for a better deal
- c) Say 'no' and put the phone down.



## Question 2

How old do you have to be before you can get a credit card, store card or reward card?

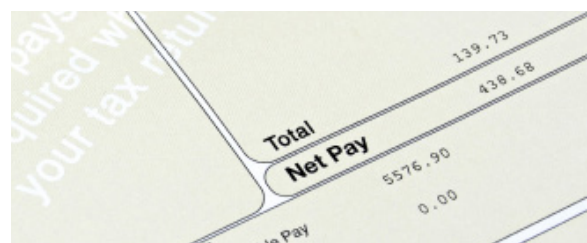
- a) 18
- b) 21
- c) 25

## Question 3

On your payslip it shows 'Net Pay'.

**What does that mean?**

- a) Your full pay before any tax or National Insurance has been taken off
- b) The total amount you take home after deductions
- c) Your hourly pay rate







## Question 4

If you have bought something over the phone, online or in your own home you have a legal amount of days to cancel the contract.

How many calendar days do you have to change your mind and cancel the order?

- a) 7 days
- b) 14 days
- c) 30 days

## Question 5

If you use your debit card to buy something in a shop, like a jumper, how soon will the money come out of your bank account? Is it...

- a) Straight away
- b) A week later
- c) A month later

## Question 6

If you spend more money than you have in your current account, you will become 'overdrawn'. The bank will charge you for this.

What is the charge called? Is it...

- a) Inflation
- b) Interest
- c) Investment

## Question 7

If you apply for a loan you need to know what rate of interest you will be charged.

The important rate to look for is the APR. What does that stand for?

- a) Actual Percentage Rate
- b) Accumulated Percentage Rate
- c) Annual Percentage Rate

# Answers

## Managing money

Name: \_\_\_\_\_

Question	Answer
Question 1	
Question 2	
Question 3	
Question 4	
Question 5	
Question 6	
Question 7	