

MAKING SENSE OF FINANCE

PART 1

SAMPLE PAGES

A collection of financial icons including a pie chart with four colored segments (green, yellow, red, blue), a stack of gold coins, and a document with a line graph showing an upward trend.

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History of Money

Most people think of money as banknotes and coins which can be exchanged for goods. In fact, over the centuries, money has taken on many forms. From beads, rice, salt and pigs, many physical things have been used as a form of payment.

Most people think of money as merely a physical thing that can be handled and exchanged for other physical things as a means of payment. However, money is more complicated than that. It can be used to measure the value of something, to control a country's economy, or it can be used as a method of currency exchange.

Before money was invented, people used to exchange goods in a process called bartering. They may have traded a jug of milk for six eggs, or a sack of apples for a leg of lamb. However, this wasn't always the most effective way of doing things as disagreements could arise as to how much one thing was valued.

Gradually, people started to use one or two specific items in exchange for goods. They selected items that were valuable, easy to carry and easy to store. This led to the use of the first coins around 670 BC in Turkey and eventually people started to divide gold into small pieces to use as payment. By 560 BC gold coins were used and by 336 BC coins were stamped with an image of the ruler of a particular country, in this case they were stamped with the image of Alexander the Great.

The first paper money was invented in 650 AD in China and a thousand years later bank notes were first issued in Sweden. In England the Royal Mint was built in the Tower of London in 1279 and coins were minted there for the next 500 years.

The Royal Mint was moved to Tower Hill early in the 19th century and in 1975 it was moved again to Llantrisant, ten miles west of Cardiff. It is certainly true that, over the centuries, money has had a fascinating and varied history. It would be interesting to ask the group to carry out further research.

Give out **WORKSHEET 2** and allow the group to carry out their research.

Budgeting

Ask the group if they understand the meaning of ‘budgeting’. Is it a term they are familiar with? Do they know what it entails?

Budgeting is very important. It is the means by which a person keeps a check on their spending and is a valuable money management tool. With a good understanding of budgeting, a person will know where they stand financially and how to make their money last.

Many people decide to look at their finances, including plans to save, at the beginning of the year. This is usually because they have spent a large amount of money over the Christmas period. Others may decide to look at their money situation when they are in debt. However, it is much better to start budgeting before you get into a financial mess. So, just how do we draw up a budget?

The first thing to do is to look at your situation. For example, look at the money you have, the money you owe, the things you need to spend money on, how much you earn etc. This isn’t always as easy as it sounds and you will need to spend some time planning your budget. You will also need to decide whether you want to set up a weekly or monthly budget planner as this will help you to see where your money is going.

Give out **WORKSHEET 4** and ask the group to keep a diary of their spending for the next two weeks.

Tell them they must include every single penny they spend. They mustn’t forget the odd magazine, bag of crisps, chocolate bar, bus fare—absolutely everything must be written down in their spending diary. This is the only way they will know exactly where their money is going.

After two weeks, ask for volunteers to read out their spending diaries. Did they always remember to enter their spending in their diaries? Are they surprised at

WORKSHEET

5/3

MONTHLY INCOME	AMOUNT
Salary	
Mike's Payment	
TOTAL INCOME	
<hr/>	
MONTHLY EXPENDITURE	
Rent	
Electricity	
Gas	
Water rates	
Council tax	
Phone & broadband	
TV licence	
Petrol	
Car Insurance	
Road tax	
Car MOT	
Food & sundries	
Magazines, newspapers, confectionary	
Lunch	
Nights out	
CDs, DVDs	
Owed to parents	
Misc	
Credit cards	
Saving for holiday?	
TOTAL EXPENDITURE	
<hr/>	
MONTHLY SURPLUS/DEFICIT	

Banking

Bank accounts enable people to receive money such as their salary and benefits and payments by cheque etc. They can also pay bills, write cheques, set up standing orders and direct debits etc. Banks also make it possible for people to transfer money, make secure payments, borrow money and save.

Banks make their money by charging fees for some services, charging penalties, as well as interest on loans, mortgages and overdrafts. They also use money which customers deposit as savings to make loans to individuals, businesses and governments. Banks offer different types of accounts and the main types are:

Basic Bank Account

This account is designed to offer very basic services and they help people manage their money on a day-to-day basis. They offer a cashpoint card to withdraw money from cash machines but they do not usually offer a cheque book or cheque guarantee card.

Many basic accounts do not allow customers to set up direct debits and so this type of account is limited. It is unlikely that you will be offered an overdraft with a basic account although some will allow you to go a little overdrawn.

Current Account

A current account is like a basic account but has more features. You will usually receive a debit card, a cheque book and a cheque guarantee card and you may receive interest on your balance. You can also set up direct debits and standing orders and you can usually apply for an overdraft facility. Most banks offer special accounts to children and students. Many current accounts can be operated by phone, internet, post, smartphone, or at the branch.

Managing Money is a Challenge

We have seen how managing money can be a challenge. But if you use the advice in this book, set yourself a budget, save as much as you can and take care when considering credit, you will be well prepared for the financial pressures that lie ahead.

Here are a few final tips and reminders which will help you manage your money now and in the future.

- Take the time to set yourself a budget. Be realistic about what you can afford. Work out how much you can spend and stick to it.
- Budget for the large, important bills each month such as your mortgage, rent, electricity, gas and travel.
- Keep a spreadsheet or list showing your monthly income and expenditure. Try to see where you can save money.
- When you are buying large items, don't be afraid to ask for a discount. Most shops will consider a discount if you pay with cash, so it is worthwhile asking.
- Don't be afraid to haggle, particularly if you are paying cash. The more you get into the habit of haggling, the easier it gets. Soon it will be second nature to you.
- Keep a spending diary and keep an accurate record of *everything* you buy.
- Make a note each time you use the cashpoint—perhaps you can keep a record at the back of your spending diary. It's easy to forget drawing out the odd ten pounds and they quickly mount up!
- Look for sales. They seem to occur at any time of year, but the best time is January. Try to keep some spare cash to spend in the January sales and don't spend it all at Christmas.
- Plan for Christmas throughout the year. It is easier to find bargains when you see them rather than spending a large chunk of your budget over Christmas.