



Financial Education

Giving you the confidence
to manage your money

Social Work in Renfrewshire



Introduction

The aim of this booklet is to help you:

- Change and determine your attitude towards money. It is now time to take responsibility for your financial decisions
- Broaden your knowledge and understanding of financial products and services to help you make informed choices
- Plan and budget ahead. Learn to match your income to your spending patterns

It is important to understand how financial decisions affect you and your environment. These effects can range from managing your debts to being ethical consumers.

It is not realistic to expect you to change your financial position overnight. But every time you make an informed financial decision it will make a small difference. The main aim is to keep an open mind about your finances and focus on your financial goals.

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Banks and Bank Accounts

Basic Functions of a Bank

- To safeguard funds
- To lend money to customers
- To exchange money for customers

Why Open a Bank Account?

- **Security** - to keep your money safe
- **Convenience** - it can be easier paying by cheque or debit card rather than carrying cash. It is also easier for an employer to pay wages directly into a bank account rather than handing out large amounts of cash.
- **Support and Guidance** - these days banks and building societies offer a range of facilities and services which can support and guide you in managing your money.

Different Types of Bank Accounts

The 2 Main types of bank account commonly offered are:

- **Current Account** - used for day-to-day (current) purposes, for example, wages and bills. With this type of account you can make withdrawals over the counter in the branch, by cheque or by cash/debit card. Sometimes referred to as a 'cheque account'. Direct debits and standing orders can be set up from this account to pay bills or make regular payments.
- **Deposit Account** - if you can put money aside, even just a bit, its worth thinking about a deposit account. Commonly referred to a 'savings account'. Allows you to earn interest on money while it is in the account, even if you don't add to it. This means your money will grow by a certain percentage (the 'interest rate') even when your not paying into the account.



Opening a Bank Account

When opening a bank account:

- Find out what hours the bank is open and if you are required to have an appointment.
- Be prepared! Phone the bank to find out exactly what you will be required to bring with you when you open the account.
- It is important to emphasise identification. Most high street banks require you to provide 2 forms of identification, but this can vary slightly from bank to bank.

The table below demonstrates what identification may be acceptable. The primary list is usually the most commonly requested, however, if you don't have any of the primary identification they may accept identification from the secondary list.

Primary Identification	Secondary Identification
Driving licence	Bank statement
Passport	Mortgage statement
Birth certificate (under 16)	Utility bill
Medical card (under 16)	Construction Industry Card

Current Account Terms

Below are a list of 'current account terms' which you should become familiar with.

ATM	Automated Teller Machine, also referred to as cash machine. Allows you to withdraw cash and check your account balance without going into branch.
Bank Statement	Record of the monthly transactions within an account. The statement is produced by the bank and sent to the customer monthly or quarterly.
Cashpoint card	Plastic card used to withdraw money via the cash machine
Cheque	Paper slip written out and used to pay for goods. Mainly used when paying bills, for example, used to send in the mail to pay credit card balance, instead of sending cash.
Debit card	Plastic card, also known as 3 in 1 card as it has 3 functions: <ol style="list-style-type: none">1. to withdraw money from ATM2. used at point of sale where money debited from account3. cheque guarantee card, usually guarantees cheque for £50 or £100

Current Account Terms

What To Consider When Opening A Bank Account

Direct Debit	Instruction signed by you that authorises a company to take money regularly from your account.
Online Banking	Service that allows you to check account details, over the internet. Password protected.
Overdraft	When the bank agrees to let you have more money than you have in your account, short term.
PIN	Personal Identification Number. This is a secret number given to you by the bank. You use this with your card at the ATM to get cash. If your card is lost or stolen no-one else can use your card without the PIN number.
Standing Order	A payment made according to the exact instructions of your bank. If you want to change the amount being paid, you have to give the bank new instructions. Standing orders can be made out to anyone.
Telephone Banking	Service that allows you to check account details, over the phone. Password protected.
Withdrawal	When you take money out of an account. Can be in the bank or through ATM.

Recommendation

e.g., From friends, family & colleagues

Location

e.g., convenient in relation to home/work?



What to consider when opening an account?

Opening Hours

e.g., Convenient in relation to work hours?

Facilities and Services

e.g., Telephone or Internet Banking

Budgeting

Have you ever attempted a budget and not been able to follow it through? Have you given up at the first hurdle? Many people refer to a budget as a 'spending plan' as it seems to give a more positive and successful approach.

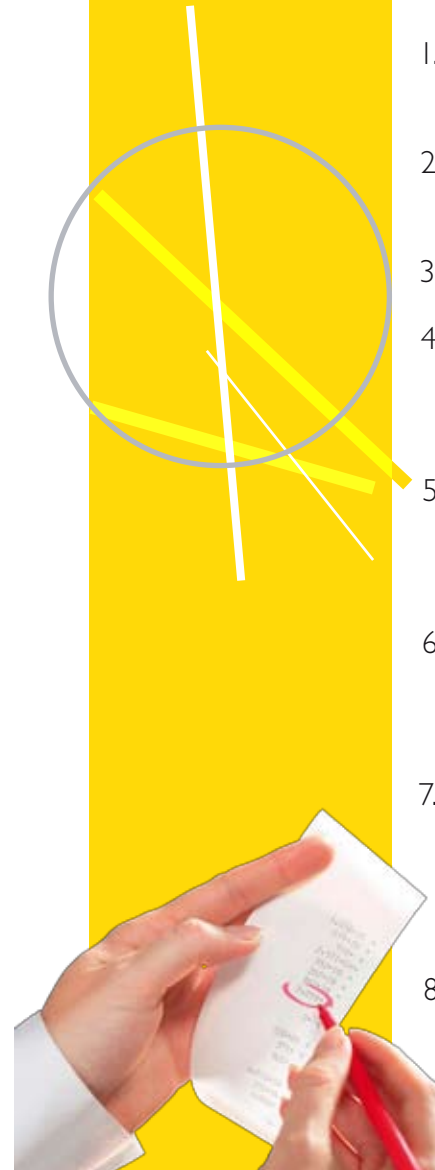
10 Reasons to budget are:

1. A budget acts a guide. It provides a structure to your spending.
2. A budget will let you see clearly if you are living within your means.
3. A budget will help the whole family focus on a common goal.
4. A budget will free up spare cash to allow money to be used on items that matter.
5. A budget will show whether your spending too much and if so it will help you focus on achieving your goal.
6. A budget can help you deal with unfortunate circumstances, e.g., emergencies or large unexpected expenses are easier to deal with if you have spare cash.
7. A budget can improve relationships! It can be an excellent communication tool.
8. A budget can be the vehicle to get you to where you want to be. It is a good mechanism for saving. Putting money aside every week or month can build up quickly and get you that item you want.
9. A budget can get you out of debt and keep you out of debt!
10. A budget can help improve your health and your home-life. It can prevent stress and help you sleep better at night.

Budgeting Successfully

8 Features of a Successful Budget

1. Be as accurate as possible when projecting your income
2. Record your spending accurately before you attempt to create a successful budget
3. Set yourself achievable goals.
4. Ensure you include all outgoings in your expenditure. Include annual expenses, e.g., home and car insurance.
5. Treat saving as an outgoing, just like you would a bill. This will ensure that you stick to saving regularly.
6. Review your budget as part of an ongoing process. Your income and expenses can change at any time.
7. When creating a budget it is crucial that you select enough appropriate categories for your income and expenses. You want to record accurate figures.
8. Base your budget on yourself, realistically!



Saving for Success

“A penny saved is a penny earned”

This is a smart phrase that most of you will have heard before. The point to take from this phrase is that you have to start small!

There are many ways to save, for example:

- Money-off coupons for supermarkets
- Buying items on offer, e.g., buy 1 get 1 free
- Buying items in the sale

A good way to save is to have the money taken from your account automatically, for example, on payday, and have it paid into a savings account. Can you begin to see how budgeting and saving are interlinked?



Interest

- Money in a savings account will earn you 'interest'. This means your money will grow by a certain percentage (the 'interest rate') even when you're not adding money to the account.

Saving versus Investing

- Saving money between 1-5 years is defined as a short-term saving. This is an individual saving that is usually done so for a specific purpose e.g., saving for a car.
- Saving over 5 years or more is usually classed as long-term saving and can be defined as investing.
- Savings rates are much lower than investment rates, usually between 1-5%. Investment rates vary, usually between 5-10%. The purpose of your saving will determine whether you save short or long term.

Saving for a 'Rainy Day'

You may have heard of the phrase 'saving for a rainy day'. This means saving for an unexpected circumstance which may arise in the future, e.g., when you may be unable to work due to medical problems.

Reasons to Save

1. To provide for unexpected circumstances
2. To provide security for the family
3. For a financially comfortable retirement

Borrowing

There are many people in today's society that find themselves falling into the debt cycle and facing large monthly debt bills.

By purchasing goods before you have earned the money to pay for them, you are effectively borrowing money from the future to pay for the present. Borrowing is effectively the complete opposite of saving. Interest rates on credit cards and loans are typically much higher than savings and investment rates.

Can You Afford to Borrow?

- Before you borrow money it is important to work out whether you will be able to repay it in the future. If you find that your income is less, or is close to your expenditure, then you should think very carefully before you agree to borrow more.
- You also have to bear in mind that paying back what you have borrowed may become a problem, for example, if you lose your job or if the interest rate increases.

Credit

What Is Credit?

Credit is strange! If you have a bank account that is 'in credit' it means that you have money in your account that you can spend BUT usually credit is a type of debt. You can get credit through:

- Personal loans
- Credit and Store cards
- Interest free credit e.g., from a furniture shop
- Hire purchase
- Catalogue purchases

How Do You Get Credit?

You need a good credit history. This means you generally have to have a bank account and show that you have regular money coming in and that you can manage your money.

Buying on Credit

The table below illustrates the advantages and disadvantages of buying on credit:

Advantages	Disadvantages
Credit is useful if you need to buy something quickly. Especially if you have not been saving.	Credit can tempt you to spend money that you do not have. Credit cards are a prime example. People do not feel like they are spending money as they are not handing over cash, they are handing over plastic!
You can pay back most credit with monthly instalments. This can be beneficial as it can help you to manage your money and stick to a budget.	Interest rates can make credit more expensive. E.g., a television costs £100 and you buy it on credit with an interest rate of 10%. You will end up paying back £110 for a television that costs £100.
Taking out finance or paying buy credit card can be safer than carrying large sums of cash.	You have to remember to meet the repayments, e.g., send a cheque or go into the bank and make payments

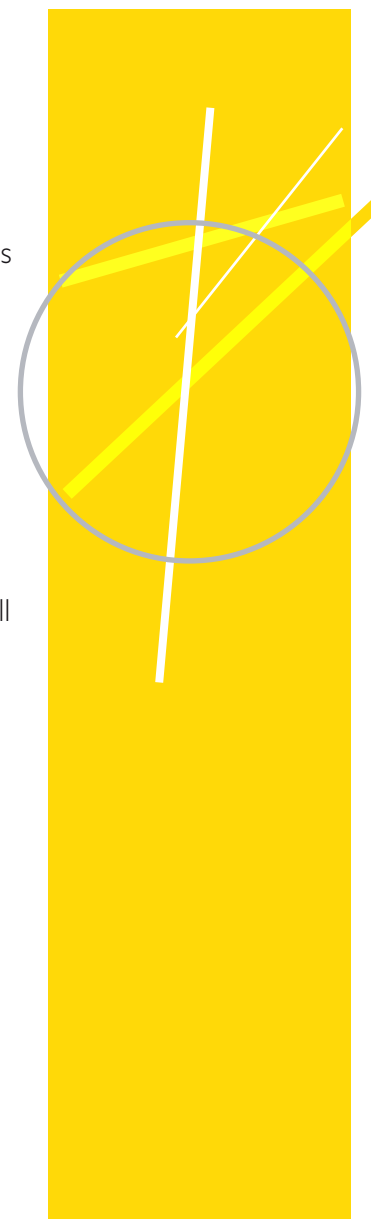
Your Credit Report

Did you know that when you purchase an item or make a monthly repayment your bank tracks the financial payment you make?

Not only does your bank monitor this but so do credit card companies and department stores. Financial activity is also reported to credit bureaus so that the lenders (credit card companies and banks) can decide whether to give you credit.

Why is it Important to Know What's on your Credit Report?

- If you're thinking about buying a house or applying for credit for a large purchase, you will need a clean report.
- If you apply for your credit report ensure you take the time to read it carefully to make sure that any loans or credit cards belong to you and that all the credit listed is current with the correct loan amounts and balances.



Credit Scoring

Who Decides If You Are Accepted For Credit?

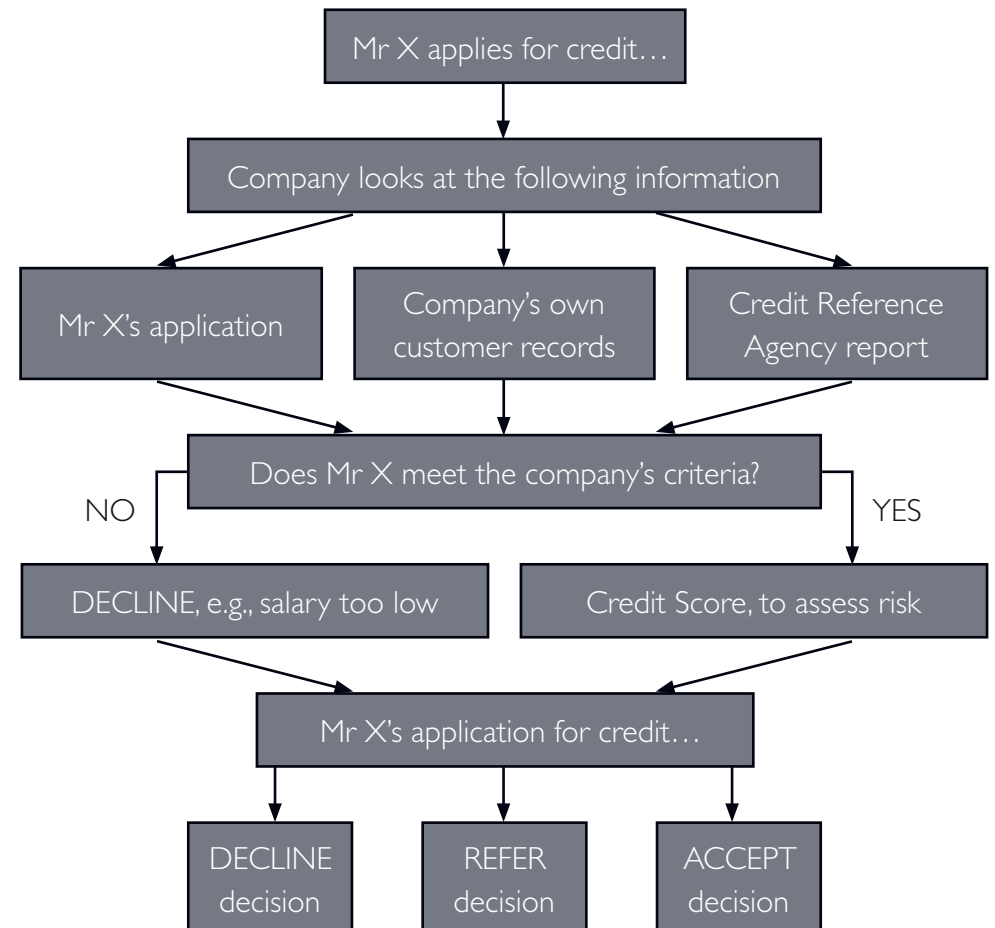
- Once you have applied for credit, the company decides whether or not to lend you the money.
- When applying for credit you sign an agreement to give the company permission to carry out a credit check, which is done so through a credit reference agency.

What is a Credit Check?

- The company who is lending you the money has to ensure that you are who you say you are and that you stay where you say you stay.
- They will also check your credit report with a credit reference agency, which shows your credit history.

Credit Decisions

The diagram below demonstrates how a company or bank comes to a decision as to whether or not to offer credit to an individual.



Secured Loans

In today's society it is not only high street banks that offer credit. There are various forms of loans, some of which are detailed below:

Secured Loan

This is when the loan is secured, usually against a property. In this case the lender, which is usually a bank or building society, has the authority to force the sale of the property (or asset) if you fail to meet the agreed repayments of the borrowing. The most common form of secured loan is called a 'further advance' and is made against your home by borrowing extra on your mortgage. As secured loans are less risky than unsecured loans, the interest rate is usually lower.



Unsecured Loans

Unsecured Loan

This means that the lender relies on your word to repay the amount borrowed. The lender takes a higher risk by providing an unsecured loan rather than a secured loan.

With unsecured borrowing you usually have a set agreement in which you are tied to repaying a set amount over a set period of time.

There may be penalties applied if you choose to settle an unsecured loan early but this will depend on the lender. Unsecured loans are usually less flexible than secured loans but they are more suited to short-term borrowing, for example, 1 to 5 years.

Credit Union

Credit Unions usually provide loans at rates of interest below those charged by high-street banks. It can be easier to obtain a loan from a credit union than from a bank.

- Credit Unions encourage their members to save regularly. They are financial cooperatives which are regularly run by volunteers.
- After each member saves for a qualifying period they are may be eligible to borrow up to 1.5% of the credit unions funds on top of the value of their savings.
- Each member may also receive share dividends on their savings.
- Credit Unions offer a form of low cost borrowing, ideal, for example, for a holiday.

Credit Cards

What is a Credit Card?

- A credit card gives you the ability to buy goods or services now and pay for them later. This has to be approved by the bank and then a card will be sent to you.
- A credit card always has a limit stating how much you are authorised to spend and this limit will vary from person to person.
- Payments have to be made on a monthly basis, either by paying a percentage of the outstanding balance or the balance in full.
- Interest is charged on a monthly basis depending on the outstanding balance of the credit card and there may also be an annual fee for the card.



Annual Percentage Rate

- APR stands for 'Annual Percentage Rate'. APR is commonly used to discuss the cost of borrowing money in terms of the amount of interest you will pay.
- It is easy to compare loans at a glance when using APR's. Generally the higher the APR the more expensive the cost of borrowing.
- The APR does not affect your monthly repayments. Your monthly repayments are specified as a result of the interest rate and the chosen length (commonly referred to as 'term') of the borrowing.
- Unfortunately, different companies and banks calculate APR's differently. This means that a loan with a lower APR is NOT always cheaper. For this reason, it is extremely important to observe the total amount payable at the end of the term.

Shopping Around for Credit

- Shopping around for the best deal is something we usually do when buying clothes, food and household goods. It is just as important to shop around for credit.
- You can seek out the best deal by doing a variety of things including: paying a visit to different banks, reading newspapers and checking on the internet and, also by asking friends and family if they have any recommendations.
- You should always be vigilant when shopping for credit. Some companies may check your credit report before they have given you a quote. This is usually done when the company relates the amount of interest you pay to the risk of you defaulting on your repayments.
- In some cases the higher the risk of you defaulting on repayments, the higher the interest rate.
- Each credit check carried out leaves a footprint and many footprints may lead to problems obtaining credit in the future.

Other Credit Issues

Changed Your Mind About Credit?

There is usually a cooling-off period in which you can change your mind. You should also remember to inform the finance company and the shop where you got the credit. You can also get advice from Trading Standards and Citizens Advice Bureau.

Payment Protection Plan

When you borrow money, most lenders will offer some sort of payment protection insurance or plan. This can provide cover and peace of mind should you be unable to work, for example, due to accident, sickness or unemployment.

Pre-existing medical conditions or impending unemployment may exclude you from claiming on the plan/insurance. It is therefore extremely important to read the terms and conditions of the plan to ensure you are fully covered before you sign the contract.



Employment and Earnings

Wages and Salaries

- Work can be paid by the hour, as a wage at the end of the week, or monthly on the basis of an hourly salary. Although some people are still paid in cash or by cheque, more and more people are being paid by their employer depositing money directly in their bank account each month.

Payslip

- Employees normally receive a payslip. This sets out the amount they have been paid for the week or the month, showing what deductions have been made as well as confirming the total pay and deductions for the current tax year. It is usually advisable to keep all payslips in a safe place until you receive your P60, which is sent out annually. After this, your monthly or weekly payslips can be disposed of safely, e.g., shredded.



Tax and National Insurance

Tax

- If you are an employee tax is usually deducted from your earnings before you receive them. This is sometimes called 'PAYE' on your pay slip, or 'Pay as You Earn', otherwise known as 'Income Tax'. It is collected by the Inland Revenue on behalf of the government and is used for paying for services such as healthcare, social security and welfare.

National Insurance

- Every UK citizen is allocated a National Insurance number as soon as their birth is registered. By paying National Insurance contributions it entitles you to claim benefits should you wish or need to claim them.

Q

Who pays for schools, hospitals, pensions and libraries?

A

We do!
Once we're earning and paying tax.

Getting Money Advice

Problems with your Finances?

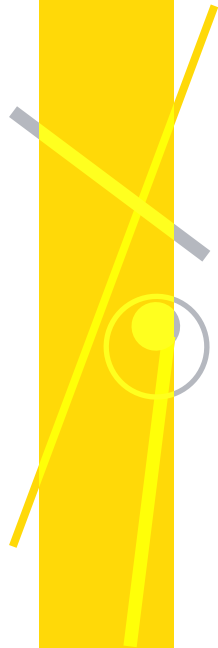
- If you are experiencing debt problems then you should get in touch with an agency in your local area that can help you.

What is Money Advice?

- Money advice is more than advising people about their finances. Money Advisors are highly skilled individuals who have the ability to help those feeling highly emotional, angry or humiliated.
- Money advice can help you gain a structured approach to debts and it can help you gain control over your finances.

The Solution

- There is no simple solution. Your starting point should be assessing your income and expenditure and approaching a local agency for support and advice.



Useful Contacts

Advice Works

8 Collier Street
Johnstone PA5 8AR
Tel: 01505 382 328

Advice Works

42 High Street
Paisley PA1 2DQ
Tel: 0141 887 7632

Advice Works

7 Dunlop Crescent
Renfrew PA2 8PQ
Tel: 0141 886 5566

Bridgewater Credit Union

Bargarran Community Centre
Erskine PA8 6BS
Tel: 0141 812 2000

Business Debtline

Tricorn House
51-53 Hagley House
Birmingham B16 8TP
Tel: 0800 197 6026

Citizens Advice

45 George Street
Paisley PA1 2JY
Tel: 0141 889 2121

Consumer Credit Counselling Service

91 Mitchell Street
Glasgow G1 3LN
Tel: 0800 328 1813

Debt Advisory Service

Earls Road
Grangemouth FK3 8UU
Tel: 0800 019 1278

Experian Ltd

16 Rutland Square
Edinburgh
Midlothian EH1 2BB
Tel: 0131 228 8030

Useful Contacts

Gallowhill Credit Union

Gallowhill Community Centre
Netherhill Road
Paisley PA3 3SF
Tel: 0141 889 1359

Glenburn Credit Union

18 Skye Crescent,
Paisley
Tel: 0141 583

Jobcentre Plus

49a High Street,
Paisley PA1 2AN
Tel: 0141 880 2000

Jobcentre Plus

2 Lonend
Paisley PA1 1SS
Tel: 0141 847 4000

Johnstone Credit Union

26 Church Street
Johnstone
Tel: 01505 327 148

Money Advice Scotland

Pentagon Centre
Washington Street
Glasgow G3 8AZ
Tel: 0141 572 0237

National Debtline

48-52 Floodgate Street
Birmingham B5 5SL
Tel: 0800 138 3328

Renfrew Credit Union

8 High Street
Renfrew PA4 8QP

Whitecart Credit Union

73 Neilston Road
Paisley PA2 6NA
Tel: 0141 889 3005

Denise Laird
Financial Education Advisor
Advice Works
42 High Street
Paisley PA1 2DQ

Telephone: 0141 887 7632

Fax: 0141 889 0057

Email: adviceworks@renfrewshire.gov.uk

Web address: www.renfrewshire.gov.uk/adviceworks



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