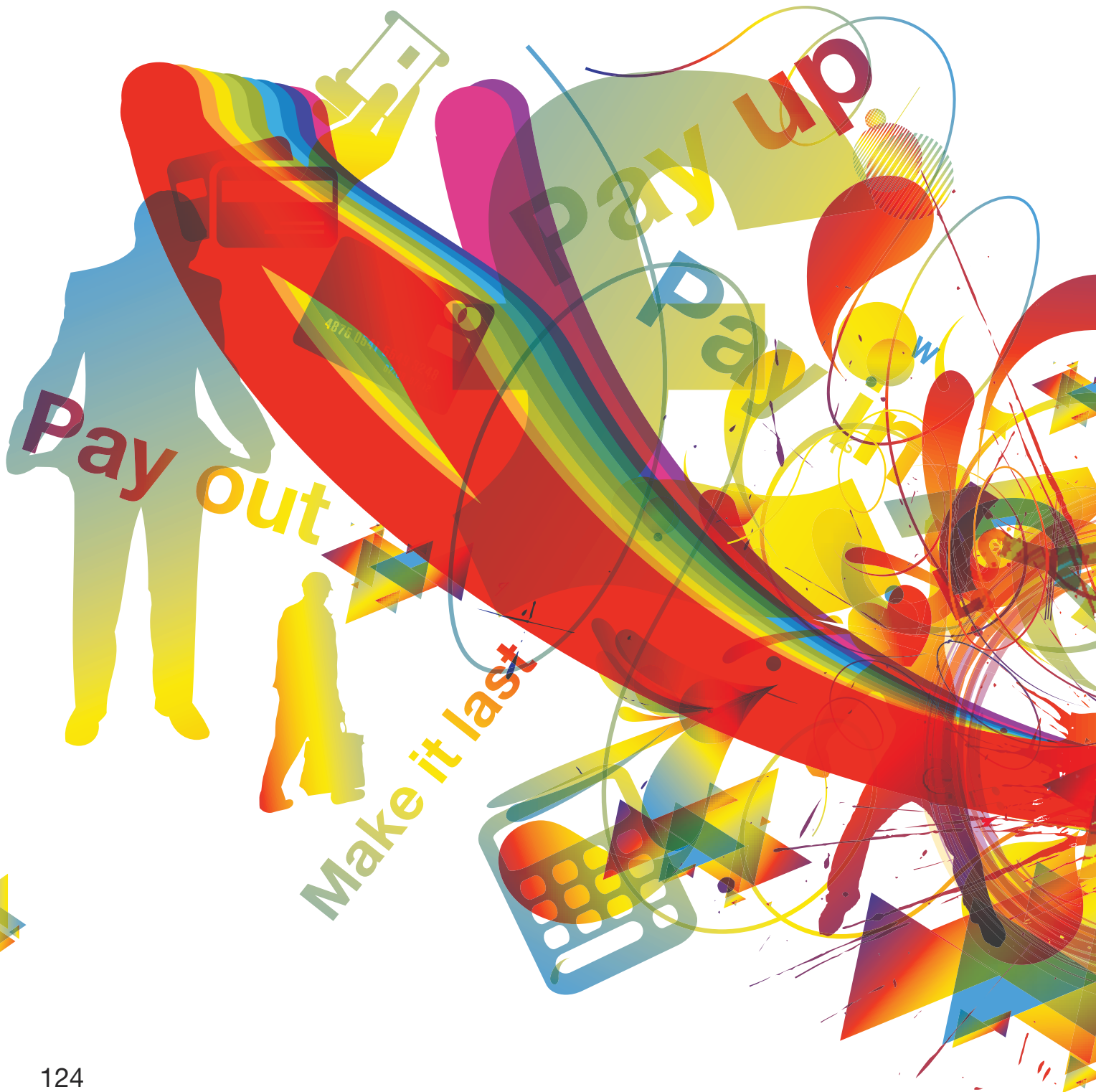


Money

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Opening a bank account

You can set up an account at any high street bank or building society. Just go in and ask.

To set up a bank/building society account you will need:

- proof of who you are – copy of your birth certificate/passport/full driving licence
- proof of where you live – utility bill, tenancy agreement
- proof that you are employed – pay slip/letter from employer
- proof that you are a student – letter of acceptance from your university (if you are applying for a student account).

You can also open an account on the internet, but you will have to supply these documents at some point.

There are three kinds of account:

- basic account – no cheque book, account card, standing orders and direct debits, no overdraft allowance
- current account – cheque book, account card, standing orders and direct debits, overdraft by agreement
- savings account – no cheque book, pays interest on your savings.



Standing orders and direct debits are ways to pay people/organisations directly from your bank to theirs.

Standing orders tell your bank to send the money to the other person/organisation's account.

Direct debits tell your bank to allow the other person/organisation's bank to take money out of your account.

Direct debits are useful ways to pay utility and other regular bills. Once they are set up, you don't have to do anything unless you want to cancel them. But be careful – it is very easy to forget you have these regular payments going out of your account when you are budgeting.

Most banks/building societies offer either a cash card, which you can use to withdraw money up to the amount you have in your account, or a debit card, which lets you withdraw money up to your overdraft limit (see over page for more on overdrafts).

Choosing a bank

What kind of account do you need?

- Instant access to your money?
- Savings account?
- Bills paid by standing order/direct debit?
- Cheque book, debit card or cash card?

What interest rates do they offer?

What interest rates do they charge on overdrafts?

Are they offering anything extra that interests you?

Get information from three or four banks with a branch near you and compare what they are offering.

Savings

If you are able to save money, it's a good idea to put it into an account that earns interest.

Interest is the amount of money (a percentage of your savings) that the bank/building society will give to you if you leave your money with them for a certain period of time. Generally, the longer you leave your money with them without spending any of it, the higher the interest rate will be.

You can open a savings account at a bank or a building society.

Base interest rates are set by the Bank of England. The interest rates paid by banks and building societies vary a lot, depending on the base rate, the type of savings account and the bank/building society.

Shop around for the best rates. There are websites that do the comparisons for you.

The Post Office also offers a range of savings accounts that are backed by the government, so check those too.

As a rule of thumb – go for the highest interest rates if you are saving and the lowest if you are borrowing.

Borrowing money

There is no such thing as free money.

Banks and building societies charge interest (a percentage of the sum you have borrowed) on any money that they lend to you. Always ask how much they charge if you run up an overdraft on your bank account.

Credit cards

With credit cards, you don't have to pay back what you've spent for up to two months. So they are an interest-free way of borrowing money, but only for those two months. If you don't pay your credit card bill on time, the interest rates are usually very high.

Lots of banks and financial organisations will be very willing to give you a credit card but be very sure you want one and can manage it. It is very easy to get into financial difficulties with them.

Credit unions

Credit unions are savings and loans organisations that are owned and run by their members. Once you've joined and established a record as a reliable saver, you can also borrow money from them. They will only loan you what they know you can afford to repay. Credit unions are community organisations. Members tend to live in the same area, or work in the same place, or belong to one housing association, for example.

Bank loans

Your bank may agree to loan you a fixed sum for a period of time. You will have to pay interest on the loan. If you need a large sum, shop around as the banks will offer different interest rates on your loan.

Usually you pay back bank loans in monthly instalments. You can repay the loan before the end of the fixed term but make sure there aren't any penalties for doing this.

If you do take out a bank loan, you should get payment protection insurance, in case you get sick or lose your job and can't pay the monthly instalments for a while.



Personal overdrafts

Most banks let you have an overdraft (spend more money than you have) on your current account, up to a maximum agreed amount.

Overdrafts are useful if you have cash flow problems (you know you have money coming in, but need to buy something/pay off a bill now).

The bank will say how big your overdraft can be and what the interest charges are (if any). If you go over the agreed limit, you will have to pay a financial penalty.

Hire purchase (HP)

Hire purchase agreements are a way of buying an expensive item (car, sofa etc) without actually having the whole sum in your bank account. The shop will let you take away the car/sofa etc and use while you repay the debt in regular instalments (usually monthly). It is a form of debt as the shop still owns the goods until you have paid off the HP agreement.

This means you can't sell the goods until you have paid all the instalments, and the shop can take them back if you default on your repayments.

It can be much more expensive than paying in cash.

Check the conditions of the HP agreement before signing anything.

Store cards

Some shops have their own 'credit card', which you can only use in their stores. These cards often charge even higher interest rates than credit cards.

It is very easy to get into debt with these cards too, so don't be tempted by introductory offers unless you really think you can repay the bills every month.

Loan sharks

Do not, no matter how much you need the money, borrow from a loan shark. Loan sharks are unlicensed, which means they work outside the law. They charge very high rates of interest and they sometimes use threats and violence to scare people who are struggling to repay the loan.

Credit checks

If you do apply for a loan from a bank or building society or other lender, they will run a credit check to see if you earn enough to repay it. They may check your credit history with a credit reference agency, or they will ask you for the information.

They will check your:

- income
- spending
- what you own (property)
- any unpaid loans.

If you don't score enough points, they may refuse to lend you the money, or offer you less, or charge a higher interest rate.



Budgeting and managing your money

The best way to avoid getting into debt is to work out how much money is coming in, how much money you have to spend on essentials, and how much money you have left for luxuries and fun – and don't spend more than that.

Make a list of all your outgoings, with the most important things that you really have to pay at the top. Make sure you include any loan repayments!

Outgoings	Weekly	Monthly
Rent		
Food		
Council tax		
Water charges		
Electricity		
Gas		
Travel for work/college		
Travel for leisure		
Clothes		
Mobile phone		
Computer/internet		
TV licence		
Laundry		
Cleaning and household goods		
Toiletries		
Meals out/take-away meals		
Magazines/books		
Presents		
Leisure/entertainment/going out		
Loans/HP		
Insurance		
TOTAL		



Add up everything you spend each week or month and subtract it from your income. If you don't have enough income to cover all your spending, decide what you don't need or what you could spend less on. Write a new list, with the maximum you can spend on the non-essential items, and stick to it.

If you keep spending more than your weekly income, make a list for one week of everything you spend. Go through it, checking which were essential and which were non-essential, and cut out the non-essential items the next week.

Always make a list when you go shopping for food and household items. This will stop you buying things you don't need.

It helps to have a menu plan for the whole week so you don't buy food you don't need.

Compare prices from different supermarkets. Some are much cheaper than others. (see also section 2, **Health, food and diet** for tips on budget shopping).

Debt



If you do get into debt, you must do something about it, straight away. Don't ignore debts – they won't go away and they will only get bigger.

Get advice from your local Citizens Advice Bureau (CAB) or from the free national debt service:

www.nationaldebtline.co.uk

0808 808 4000

They will help you prioritise the most important debts to pay off and advise you on how to manage your money better.

You may be able to negotiate a repayment plan with some of the organisations to which you owe money. This will allow you to pay off the debt gradually.

Benefits

If you are unemployed, on a low income, have children who are living with you, or other dependent family members, or have a physical or mental disability, you may be entitled to benefits and tax credits to help you pay your daily living costs.

The main benefits/tax credits are for:


- people who are unemployed and looking for work
- people with children
- people on low incomes
- people with disabilities
- people who are caring for elderly or disabled family members.

You may be able to get help with:


- housing/rent costs
- council tax
- child care costs
- daily living costs
- medical prescriptions
- dental care costs.

The amounts that you get vary and depend on a lot of other things, so you need to get expert advice.


You may be able to get a crisis loan if you have a sudden, emergency expense – if you have a house fire, for example, or you lose your job. Crisis loans can be used to pay rent, if you would otherwise be evicted. You don't have to be on benefits to qualify for a crisis loan, but you do have to be able to pay it back.

 A good source of independent information on benefits and entitlements is your local Citizens Advice Bureau (CAB) or their website:

www.adviceguide.org.uk

 You can also get information about the benefits system from the government website:

www.direct.gov.uk

 NCAS (the National Care Advisory Service) has published a helpful guide to benefits for young care leavers. You can download the guide free from

www.leavingcare.org.uk

To apply for benefits you need to go to your nearest Jobcentre Plus.

To apply for housing benefit and council tax benefit, you need to contact your local council.

Section 3 on **Education, training and employment** includes information on special grants and student loans for people in further and higher education and employment-related training.

