





















## **Banknotes in Scotland and Northern Ireland**

Banks in Scotland are permitted to print and issue their own banknotes. The three banks that do so are Bank of Scotland, the Royal Bank of Scotland and Clydesdale Bank.

Banks in Northern Ireland can also issue their own notes.

The notes from Scotland and Northern Ireland are not legal tender in England, but shops will accept them to keep their customers happy. The notes can then be taken to a main bank and exchanged for English money.

## **Activity 7**

**Design your own banknote or coin. Visit the following websites for inspiration:**

- ◆ [www.royalmint.gov.uk](http://www.royalmint.gov.uk)
- ◆ [www.bankofengland.co.uk](http://www.bankofengland.co.uk)
- ◆ [www.scotbanks.org.uk](http://www.scotbanks.org.uk)
- ◆ [www.ukbanknotes.co.uk](http://www.ukbanknotes.co.uk)

**Research a historical character from a banknote. Why are they famous and when did they live?**

## Task 2: Identify and describe different forms of income

<b><i>What I need to be able to do</i></b>	<b>CfE E and O</b>	<b>Learning Intentions</b>	<b>Resources</b>	<b>Success Criteria</b>
<p><b>2.1</b> Describe different ways of earning money</p> <p><b>2.2</b> Identify the basic features of payslips</p> <p><b>2.3</b> Check and complete payslips</p> <p><b>2.4</b> Identify the current minimum wages for different groups</p>	N/A	<p><b>I can...</b> Describe the different ways of earning money to include hourly pay, salary, piecework and commission</p> <p>Calculate overtime and bonuses</p> <p>Describe features of payslips to include: gross pay, net pay, deductions, income tax, net pay etc</p> <p>Identify some benefits such as job seeker's allowance, EMA, disability living allowance, child tax credit</p>	<p>SQA support materials</p> <p><a href="https://www.gov.uk/payslips">https://www.gov.uk/payslips</a></p> <p><b>Textbook</b> (see booklist)</p> <p><a href="https://www.gov.uk/national-minimum-wage-rates">https://www.gov.uk/national-minimum-wage-rates</a></p>	<p><b>I can...</b> List at least three different ways of earning money</p> <p>Write definitions of gross pay, deductions, net pay etc</p> <p>Check and complete exemplar payslips</p> <p>Research the current minimum wage (age dependent)</p>

<b><i>What I need to be able to do</i></b>	<b>CfE E and O</b>	<b>Learning Intentions</b>	<b>Resources</b>	<b>Success Criteria</b>
2.5 Identify some of the benefits and tax credits available for different groups of people — and how they may be accessed		Identify information required in applying for any of the above	<a href="https://www.gov.uk/universal-credit/claiming-other-benefits">https://www.gov.uk/universal-credit/claiming-other-benefits</a>	

## **Task 2: Identify and describe different forms of income**

### **2.1 Describe different ways of earning money**

#### **What is 'income'?**

'Income' is all of the money that a person receives over a given period of time. This includes:

- ◆ earnings from a job;
- ◆ earnings from being self-employed;
- ◆ pocket money;
- ◆ gifts; and
- ◆ benefits from the government (that is, money paid by the government to help certain people, such as those who are disabled or those who have children).

#### **What other words can you think of that can be used to mean the money that you get for doing a job?**

#### **What are 'earnings'?**

'Earnings' means the money that you get for doing a job. It comes from the verb 'to earn', which means to get something because you have worked for it. Earnings are called 'wages' or 'salary'.

The word 'wages' is usually used when talking about how much a person is paid per hour, eg £7.60 per hour.

The word 'salary' is usually used when talking about a job for which the person's pay is expressed as an annual figure, eg £18,000 a year. (Sometimes, you will see it written as £18,000 pa, which means 'per annum' — another way of saying per year.)

Examples of jobs for which the earnings are likely to be referred to as 'wages' — that is, expressed as an hourly rate — include:

- ◆ waiting tables in a coffee shop
- ◆ cleaning
- ◆ gardening
- ◆ 'temping' (that is, working on a temporary basis)
- ◆ car park attending
- ◆ farm labouring

Examples of jobs for which the earnings are likely to be referred to as a 'salary' — that is, expressed as a yearly figure — include:

- ◆ bank cashier
- ◆ receptionist
- ◆ secretary
- ◆ call centre worker
- ◆ teacher
- ◆ nurse
- ◆ civil servant (that is, someone who works for the government)

## Activity 1

**Consider the following people:**

- ◆ Ali delivers newspapers for The Corner Shop and earns £3.00 an hour. He also gets £5 each week for pocket money.
- ◆ Bethany babysits for her neighbours and earns £3.40 an hour. She also gets an allowance from her grandma of £40 each month.
- ◆ Connor works in a sports shop called Jump on Saturdays and earns £5.75 an hour. He also helps his father at his shop for an hour each day after college for £20 a week.
- ◆ Demi is a receptionist at Dolby and Crane Ltd earning £14,200 a year. Before that, she was unemployed and received a government benefit that paid her £57.90 per week (2015/16 rate).
- ◆ Evan is a painter/decorator who works for himself (ie he is 'self-employed'). He charges £200 per day. He also works as a DJ at a club on Saturdays and at weddings, for which he charges £100 a time.

**1 Which one is earning a salary?**

**2 How does this salary calculate as weekly and monthly pay?**

## Activity 2

**1 Work out how much monthly pay each of the salaries would offer.**

◆ £18,000

◆ £26,000

◆ £50,000

**2 How much weekly pay would each of the following salaries offer?**

◆ £18,000

◆ £27,000

◆ £42,000

### Hourly pay

When someone's pay is expressed as an hourly rate, they have to work out how much they will get at the end of the day or at the end of the week. The following activity offers some examples.

### Activity 3

- 1 John goes to college from Monday to Friday. On Saturdays, he works for seven hours at a snooker hall and he earns £5.95 per hour. The snooker hall boss pays him out of the till. How much does John get each week?**
  
- 2 Ranjit works in a cafe. He works 25 hours a week in the winter and 35 hours a week in the summer. He is paid £7.50 an hour. How much does Ranjit get per week in the winter and how much does he get per week in the summer?**
  
- 3 Pavlos has a friend called George, who owns a field next to a zoo. In the summer, when the zoo car park is full, George lets people park in his field for £1 per day; he pays Pavlos £6.90 an hour to collect the car parking fees. If Pavlos works from 8.00 am until 6.30 pm, six days a week, how much does he earn each day? How much does he earn each week?**

## 2.2 Identify the basic features of payslips

### Payslips

The employer must give each employee a written payslip showing details of the pay earned and the amounts deducted.

### Case Study — Demi's payslip

**Dolby and Crane Limited**

**Date:** 01/06/201X

<b>Payment period</b>		<b>Payment method</b>	
01/05/201X to 31/05/201X		Credit transfer	
<b>Tax Code</b>	<b>Employee no</b>	<b>Employee name</b>	<b>NI number</b>
1100L	26	Demi Morgan	NS102030P
<b>PAYMENTS</b>		<b>DEDUCTIONS</b>	
<b>Description</b>	<b>Amount</b>	<b>Description</b>	<b>Amount</b>
Basic salary T	1,183.33	PAYE tax	53.33
		NI	40.64
Gross pay	1,183.33	Total deductions	93.97
<b>Net pay</b>	<b>1,089.36</b>		
Taxable pay to date	2,366.66	Tax paid to date	106.66
		NI paid to date	81.28

T = taxable

Looking at Demi's payslip from the top down, the boxes show:

- ◆ the **employer's name** — that is, where Demi works (Dolby and Crane Limited)
- ◆ the **date** — that is, the date on which her earnings will be paid (1 June 201X)
- ◆ the **payment period** (usually a month or a week) — that is, the period for which Demi is being paid (one month spanning 1–31 May 2016)
- ◆ the **payment method** — that is, how Demi's earnings will be paid (credit transfer, meaning that her salary will be paid directly to her bank account)

## 2.3 Check and complete payslips

Your teacher/tutor will give you some payslips to check and/or complete.

### Activity 4

**How much money will Demi be paid on 1 June 201x?**

The payslip also gives the following information about Demi.

<b>Tax code</b>	<p>All employees have a 'tax code' that tells the employer how much they can earn before they must start paying income tax. If the employee is paid monthly (ie 12 times a year), the tax code tells the employer to give the employee 1/12th of their personal allowance each month.</p> <p><b>Remember:</b> Each person is allowed to earn £11,000 (2016/2017) each year before they pay tax, so they get £916.66 free of tax every month and pay tax on earnings above that figure.</p> <p>In April 2016 the Scottish rate of Income Tax was introduced. Individuals will pay the Scottish rate if they live in Scotland. Those liable to pay the Scottish rate of Income Tax will have a tax code which starts with 'S'. Further details can be found at <a href="https://www.gov.uk/scottish-rate-income-tax">https://www.gov.uk/scottish-rate-income-tax</a></p>
<b>Employee number</b>	<p>Demi is employee no 26 at Dolby and Crane Limited. This number is used by the organisation to identify Demi in its payroll system. A payroll system is a computer program that is used to calculate pay.</p>
<b>Employee name</b>	<p>Demi's name appears here.</p>
<b>National Insurance number</b>	<p>Everyone is issued with an NI number on their 16th birthday. People keep this NI number for the rest of their lives.</p> <p>It works like a personal account number with the government. This account records all of the tax payments and NI contributions (NICs) that people make.</p> <p>National Insurance numbers are made up of two letters followed by six numbers and one letter.</p>

The payslip gives the following information about the amount of money being paid to Demi.

<b>Payments</b>	Employers list here all of the payments that they are making.
<b>Basic salary</b>	This is the amount of Demi's salary for this month. Demi earns £14,200 a year:  $£14,200 \div 12 = £1,183.33$
<b>Gross pay</b>	This figure shows Demi's gross (that is, total) earnings this month — ie the amount of her earnings <i>before</i> Dolby and Crane deducts income tax and NICs. The 'T' shows that this amount is taxable.
<b>Net pay</b>	This figure shows Demi's earnings <i>after</i> Dolby and Crane has made deductions for income tax and NICs. This is the amount of money that will go into her bank account on 1 June 201x:  $£1,183.33 - £93.97 = £1,089.36$
<b>Taxable pay to date</b>	This figure shows Demi's total taxable pay for the tax year so far. The tax year starts in April. This is the pay for May, so Demi has received two months' salary this tax year: that for April and May. The amount shown is therefore her basic monthly salary multiplied by 2.

Finally, the payslip offers the following information about deductions made by Demi's employer.

<b>PAYE tax</b>	As a pay as you earn (PAYE) employee, Demi's income tax is paid on her behalf directly from her month's salary. She is paying the income tax as she earns the money, rather than paying one big tax bill at the end of the tax year.  In this month, the payroll computer has worked out her tax as £56.66.
<b>NI</b>	This figure shows the NICs made on Demi's behalf this month. The payroll computer worked this out to be £40.64
<b>Total deductions</b>	This figure shows the total amount that Dolby and Crane is taking off Demi's gross pay this month, ie:  $£56.66 + £40.64 = £97.30$
<b>Tax paid to date</b>	This figure shows the total PAYE tax paid on Demi's behalf this tax year. On this payslip, it is the tax amount for two months.
<b>NI paid to date</b>	This figure shows the total amount of NICs paid on Demi's behalf in this tax year. On this payslip, it is the NICs for two months.

Employers must give employees payslips at the time, or just before, they are paid. Where Demi works, payslips are delivered by the mailroom in envelopes marked 'Private and Confidential'.

There is no standard layout for a payslip, but working regulations say that a payslip must contain *at least*:

- ◆ the gross amount of the earnings (that is, the amount of earnings *before* deductions)
- ◆ the reasons for and the amounts of all deductions
- ◆ the net amount of the earnings (that is, the amount of earnings *after* deductions)
- ◆ an explanation of how the earnings are being paid

Finally, there are two important definitions to remember in relation to pay:

- ◆ **gross pay** refers to the total amount earned *before* deductions
- ◆ **net pay** refers to the amount that the employee actually receives *after* deductions for tax and NICs

## Activity 5

- 1 Jimmy has gross monthly pay of £1,200 and total deductions of £152.26. How much money will be paid into his bank account this month?
  
  
  
  
  
  
  
  
  
  
- 2 Bethany has gross monthly pay of £960. She has to pay income tax of £35.89 and NICs of £25.65. How much is her net pay?

## Activity 6

Research different ways to earn money thinking about hourly rates, overtime and commission. You might find the website

<http://www.moneyadviceservice.org.uk/yourmoney/> useful.

Give the definitions for gross pay, deductions, net pay.

## **2.4 Identify the current minimum wages for different groups**

### **Hours that people work**

In the UK, there are laws about the age that people must be to go to work and the number of hours for which they can work. These laws are made to protect young people and are quite complicated. There are also differences in the laws for England and Wales, Scotland, and Northern Ireland.

#### **13 and Under**

If you're under 13, you cannot legally be employed, although you can take part in paid sport or entertainment with permission from your local authority. Once you reach the age of 13, you may be allowed to be employed to do 'light work'. This is work which is not likely to affect your health, safety or education. Things you can do may include shop work or taking on a paper round.

Check with the local authority where your place of work would be to see what restrictions they have about the employment of 13 year olds.

#### **Aged 14–16**

Young people aged over 14 and under 16 must not work:

- ◆ before 7 am or after 7 pm
- ◆ for more than two hours on a school day or a Sunday
- ◆ for more than five hours (if aged 14) or eight hours (if aged 15 or 16) on a Saturday

#### **Aged 16–17**

The law says that students must go to school until they are aged 16.

People aged 16 or 17 must not work for more than eight hours a day or for more than 40 hours a week.

They must get regular breaks.

#### **Aged 18 and over**

Working regulations set by the government say that all employees aged 18 and over:

- ◆ must not be told to work more than 48 hours a week (but can choose to do so, if they wish)
- ◆ must have at least 5.6 weeks' (28 days) paid leave every year (that is, time off from work during which they are still paid as if they are working)
- ◆ have a right to one day off each week

## The national minimum wage

The law says that employers must pay workers at least a minimum wage. The government introduced the national minimum wage to make sure that employees are not forced to work for a low and unfair rate of pay because they are desperate to work or too scared to complain about their pay.

The national minimum wage applies to all employees in the UK aged 16-24. It varies according to how old the employee is, as follows.

Age	Minimum hourly rate* (from 1 October 2015)	Minimum hourly rate (from 1 October 2016)
Under 18	£3.79	Tutor/assessor to update.
18–20	£5.30	
21 and over (under 25)	£6.70	
Apprentice rate (for apprentices under 19, or over 19 and in the first year of their apprenticeship.)	£3.30	

\* See [www.gov.uk](http://www.gov.uk) for current rates.

From April 2016, the national living wage of £7.20 per hour for workers aged 25 and older will be introduced. Until this time the national living wage was voluntary and many companies in Scotland signed up to the Living Wage.

## Activity 7

**1 What is the minimum wage that Connor, who is aged 17, must be paid?**

**2 What is the minimum wage that Demi, who is aged 19, must be paid?**

## 2.5 Identify some of the benefits and tax credits available for different groups of people — and how they may be accessed

### Benefits from the government

#### Education Maintenance Allowance (EMA)

EMAs were launched across Scotland in August 2004 to provide financial support to young people from low income families. The benefit is paid to school or college students who need help with costs so that they can continue to study. The EMA is a weekly payment paid during term-time only. It is meant to pay for travel, books and equipment for the student's course.

To be able to get the EMA, students must:

- ◆ be aged 16-19;
- ◆ have a household income of less than £24,421 a year (that is, the student's parents must earn less than £24,421 between them in order for the student to qualify for EMA)
- ◆ be on a full or part-time non-advanced college

The amount of EMA paid to students in Scotland depends on their household income. The rates for the current year are as follows.

Annual household income (1 January 2016)	No of dependant children in household	Weekly EMA*
£0 - £24,421	1	£30
£0 - £26,884	2+	£30

\* See <http://www.emascotland.com/emasandme.php> for current rates.

## Activity 8

Ling is 16 years old. She wants to stay on at school to do four Highers and then three Advanced Highers, but she feels that she should get a job to help her family to pay their bills.

Ling's father earns £14,000 a year. Her mother earns £6,500. Her three brothers are all under the age of 13.

1 Can Ling get EMA?

2 If she can how much will she receive?

### Universal Credit

Universal Credit is a new type of benefit designed to support people who are on a low income or out of work. It will replace six existing benefits and is being rolled out across the UK. The new system is based on a single monthly payment which will be transferred directly into a bank account. At present Universal Credit only affects newly unemployed people in certain areas of the country.

Universal Credit will replace:

- ◆ Income-based Jobseeker's Allowance
- ◆ Income-related Employment and Support Allowance
- ◆ Income Support
- ◆ Child Tax Credit
- ◆ Working Tax Credit
- ◆ Housing Benefit

The main benefit for people of working age who are unemployed is the Jobseeker's Allowance (JSA). The amount paid depends on the claimant's age and it is worked out weekly, as follows.

Who can claim?	Amount in April 2011	
For current details of people entitled to claim see — <a href="https://www.gov.uk/jobseekers-allowance/overview">https://www.gov.uk/jobseekers-allowance/overview</a>	Age 16–24	£53.45 a week
	Age 25+	£67.50 a week

**To claim this benefit, a person must be actively seeking work.**

## Activity 9

Use the internet to research:

- ◆ EMA <http://www.emascotland.com/>
- ◆ JSA <http://www.gov.uk>
- ◆ Child tax credits <https://www.gov.uk/child-tax-credit>
- ◆ Disability Living Allowance <http://www.gov.uk>
- ◆ Carer's Allowance  
<http://www.nhs.uk/CarersDirect/moneyandlegal/carersbenefits/Pages/CarersAllowance.aspx>

### Task 3: Describe some of the ways to store and access money

<i>What I need to be able to do</i>	<b>CfE E and O</b>	<b>Learning Outcomes</b>	<b>Resources</b>	<b>Performance Criteria</b>
<p><b>3.1</b> Describe different types of personal bank accounts and how banks promote them</p> <p><b>3.2</b> List some of the ways you could access your money, eg ATMs, debit cards</p> <p><b>3.3</b> Compare the features, facilities and costs associated with debit cards</p> <p><b>3.4</b> Describe credit card purchase protection</p>	N/A	<p><b>I can...</b></p> <p>Describe different types of personal bank accounts, eg cheque/current, savings, building society 'brand' names such as 'reward', 'gold'</p> <p>Describe how banks promote accounts to attract customers, eg adverts on TV, in papers, leaflets, mailing</p> <p>List some of the ways to access money, to include; ATMs, cheques, PIN, debit card, password, direct debit standing orders</p> <p>Compare how different bank accounts operate debit cards to include interest rates, cashback, introductory promotions, minimum payments, overdue fees</p> <p>Describe how credit card purchase protection works</p>	<p>SQA support materials</p> <p><a href="http://www.rbsmoneysense.com">www.rbsmoneysense.com</a></p> <p><a href="http://www.moneysavingexpert.com">www.moneysavingexpert.com</a></p> <p><a href="http://www.moneyadvice.service.org.uk/">http://www.moneyadvice.service.org.uk/</a></p> <p><a href="http://www.moneysense.co.uk">www.moneysense.co.uk</a></p> <p>TV adverts</p> <p>Bank promotion materials</p>	<p><b>I can...</b></p> <p>List at least two different types of personal account</p> <p>List at least two different ways to access money</p> <p>List at least two features associated with debit cards</p> <p>List at least two different features of credit card purchase protection schemes</p>

## **Task 3: Describe some of the ways to store and access money**

### **3.1 Describe different types of personal bank accounts and how banks promote them**

#### **Where money can be stored**

You do not always spend all of your money and you can store what is left over. There are different ways of doing this.

***Suppose that you have some money that you do not want to spend at the moment. What will you do with it? Where will you put it?***

#### **Case study**

Ahmad works at the weekend and earns £30. He usually spends £20 of this every week and has £10 left over, which he does not want to spend. He needs to keep his money somewhere safe where his younger brothers cannot find it! Think of your bedroom or your house as a whole. What is the safest place in which you could hide your money? A place where nobody would think of looking or somewhere that they could not get into? Your ideas might include:

- ◆ under the bed or mattress
- ◆ in a locked box in your cupboard
- ◆ under the floorboards
- ◆ in a drawer
- ◆ in the pockets of your jacket

#### **What is the problem with choosing any of these places in which to store your money?**

Hiding your money in the house might be alright for small change, but it is not sensible for larger amounts of money. You might forget where you put it, or it might get thrown out by mistake by a family member who did not know that it was hidden. The biggest risk is that of burglars.

- ◆ Under your bed or mattress is one of the first places that a burglar would look.
- ◆ If a burglar were to come across a locked box in a cupboard, they would simply take the box and the money with it.
- ◆ Under the floorboards might seem like a good place — burglars do not usually have time to shift furniture or lift carpets — but there is the risk that the money will get damp and mouldy, be eaten by mice, or simply be forgotten about when you move house.
- ◆ If you store your money in a drawer, it might get thrown away with an old takeaway menu.
- ◆ Jacket pockets are not very sensible either: you might leave the jacket at a friend's house, or on the back of a chair in a restaurant, or put it in the wash.

Another place that you might keep your money is in your wallet or purse. These are always with you, in your bag or in your pocket — but there is always the risk that you could leave your bag on the bus, or have it stolen from a locker or from the changing room of a shop.

## Activity 1

**In your group talk about money that you may have in your wallet and purse.**

- ◆ **What do you think is a safe amount?**
- ◆ **What is the most cash that you have carried with you at any one time?**
- ◆ **How did you feel about it?**

## Banks, building societies and the Post Office

A safe way of looking after your money is to ask someone else to look after it – someone whose job it is to look after other people's money. There are many organisations that can look after money, of which we will look at three:

- ◆ banks
- ◆ building societies
- ◆ the Post Office

When you give your money to one of these organisations, it will ask you to open an 'account' — that is, an electronic record of how much you have given to it for safekeeping.

### Banks

#### What is a bank?

A bank is an organisation that will look after your spare cash, but it does not keep all of the money that it receives in cash (that is, notes and coins). The bank will use the money that it receives in 'deposits' to lend out to other people who want loans. This is how banks make money.

When a person wants a loan, they have to pay 'interest' to the bank on the money that they have borrowed. This means that they pay back to the bank slightly more than they borrowed. The money that the bank lends to these people comes from the deposits that it receives from those people with spare cash.

The bank will pay some of the interest that it receives from its borrowers to its savers as a reward and will keep the rest of the interest for itself. This is the bank's 'profit'.

### **So how do we know that our money is safe in a bank? What if the people who take out the loans do not pay the bank back?**

A bank will *always* give you back the money that it is holding for you up to £75,000 — that is guaranteed, even if a few of the people who take out the loans fail to pay the money back.<sup>3</sup>

Most of the money that we use nowadays is ‘electronic’ — that is, when you pay for things with a card or a cheque, the money automatically gets transferred from your bank account to the shop’s bank account. There are no notes or coins involved.

The bank will, however, always keep a small amount of notes and coins available, so that it can pay you back your money in cash if you want it. Even if the bank were to be robbed, the bank keeps an electronic record of how much of your money it is looking after for you and can always afford to pay your savings back.

Most banks have branch offices (known as ‘branches’) all over the country; these include the Royal Bank of Scotland (which now owns NatWest), HSBC, Barclays, Lloyds TSB and Santander. These are called ‘high-street banks’.

Some banks only operate over the internet. This saves them money, because they do not have to buy or rent offices in expensive town centres; they are consequently able to charge their borrowers less interest for their loans and to pay more interest to the savers. Examples of internet banks are ING Direct, first direct, Egg and smile bank.

Some supermarkets operate their own banks too, such as Sainsbury’s and Tesco.

### **Building societies**

Building societies are similar to banks in that they take deposits from savers and lend that money out to people who want loans — but the profit that a building society makes is shared with its account holders. In other words, it does not keep the profit for itself.

Building societies also have branch offices in lots of different towns, but — other than a few, such as Nationwide — they tend to be regional, which means that each building society has offices only in a certain area of the country.

### **The Post Office**

You can open an account with the Post Office in the same way as you can with a bank or a building society. The Post Office will also pay you interest.

The advantages of using the Post Office include:

- ◆ there are many Post Offices — it can be easier to find a local one from which you can get your money out
- ◆ it may pay interest, so your money is making money

---

<sup>3</sup> See Financial Services Compensation Scheme (*FSCS*) for current limits of compensation.

The disadvantages include that:

- ◆ you have to open an account and
- ◆ you have to go somewhere else to get your money rather than simply take it from your room, or your wallet or purse.

### **Earning interest with a bank, building society or the Post Office**

One big advantage of storing your money with one of these organisations is that it will pay you interest on your savings, if you chose a savings account. This means that your money is both safe and earning more money for you. You can either leave it in the account to grow or you can take it out and spend it.

Unfortunately, over the last few years interest rates have been very low for savings accounts – the interest rates normally varying from 0.5-2.0%.

### **Case study**

Danielle has collected £100 from this year's Christmas presents and she has decided to open a bank savings account. She has found a bank that pays 5% interest. If she leaves her £100 in the account for a year without touching it, she will earn:

$$5\% \times £100 = £5$$

Her account will now hold:

$$£100 + £5 = £105$$

Next year, Danielle will earn:

$$5\% \times £105 = £5.25$$

Her account will now hold:

$$£105 + £5.25 = £110.25$$

In this way, Danielle will see her money grow.

### **What is an account?**

When you give your money to a bank, a building society or the Post Office, it will ask you to open an 'account' — that is, an electronic record of the money that you have deposited with the organisation. You are given a bank account number that is unique to you — no two bank account numbers are the same, so the bank always knows how much each person has in their account. When you deposit your money into the account, this is shown as the 'account balance'. 'To deposit' means to put money into an account.

## What does it mean to open a bank account?

Bank accounts can help you to manage your everyday money. One of the best places — especially if you have more than you want to keep at home or in your wallet or purse — is a bank account.

When you open a bank account, you become a customer of the bank. It is like having a favourite shop: you expect to go back there many times. In this case, the bank is looking after your money and you expect to go there many times to put more money into your account or to take some out. You also expect to stay with the bank for many years. With a good shop, you know that it will always have the clothes that you want in the right size and style, or the right selection of computer games or phone accessories. But sometimes it can take a bit of time to find the right shop.

You will have a list of reasons that might include ideas such as:

- ◆ you looked in the window, because the display was attractive
- ◆ your friends said that it was a good shop
- ◆ your family said that it was good shop
- ◆ you saw an advert on TV or on the internet
- ◆ the shop was featured in a magazine
- ◆ you find it easy to get to the shop

The bank is going to look after your money, so you need to know that you can trust it and that you can get your money when you want it. This means that you need to choose your bank carefully.

## Activity 2

**List some of the advantages and disadvantages of using banks and building societies to store your money.**

### Choosing the bank

If you select one of the large UK banks or building societies, you can be reasonably sure that your money will be safe and that you will get a reasonable service. Your choice might be based on one (or more) of several factors:

- ◆ the bank has a branch near to where you live or work
- ◆ it is the bank that someone else in your family uses
- ◆ you might have seen an advertisement on TV that you liked
- ◆ the bank might be offering something that attracts you, such as a free gift or an extra service

- ◆ it might be the only bank of which you have heard
- ◆ you may want to bank online or use telephone banking and you need to choose a bank that will allow you to do that
- ◆ it is a bank which offers a mobile banking app or other electronic services
- ◆ it may have the nearest cash machine that is free of charge

It is a good idea to have a chat with people you know who already have a bank or building society account. They can give you some ideas and tell you if they are happy with their provider. Next, you might visit several banks to pick up some leaflets, and take them home to read and to compare what they offer. It can be beneficial to have an idea of the type of account that you want before you talk to the bank. You could also research online by looking at bank websites.

### Activity 3

**1 If you have a bank account, what was the reason you chose that bank?  
(If you do not yet have an account, think about which one you might choose and why.)**

**2 List some of the ways you could access your money, eg ATMs, debit cards.**

### Current accounts

A current account is a type of bank account that allows you to take out and pay in money in many different ways. You are given a debit card and a chequebook<sup>4</sup>, and you may ask the bank for an 'overdraft facility'. This means that you can temporarily spend more than you have in your account.

A current account also offers you the ability to issue cheques and to have an overdraft.

---

<sup>44</sup> Many current account holders do not have cheque books. Cheque books may be withdrawn in the future but many people use them to send donations to charities, etc.

## Activity 4

Look at the cheque below.

- 1 What is the sort code?
- 2 What is the account number?

76 - 54 - 32

XYZ Bank plc  
Current Account

50 High Street  
Seaville  
S021 6TH

Date: \_\_\_\_\_ 20\_\_

Pay \_\_\_\_\_ £ [redacted]

MS SARAH HOLMES

AC PAYEE

Date To Amount £

30/06/11

Cheque Number Sorting Code Account Number

300061 765432 12345678

## Activity 5

Collect leaflets from banks, building societies and the Post Office.

Visit the websites of these organisations to find out more about their accounts and how they are advertised and promoted.

[www.moneysense.co.uk](http://www.moneysense.co.uk) provides interactive resources for cheques.

### 3.2 List some of the ways you could access your money, eg ATMs, debit cards

#### Meaning of 'debit' and 'withdrawal'

Banks call money taken out of a bank account a 'debit'.

A debit balance on a bank statement means that you have an overdraft.

## Activity 6

What do you think the following expressions mean?

1 Your bank writes:

We have debited your account with £25.

2 You write to your bank:

Please debit my account with £50 to pay...

3 You tell a friend:

My debit balance is £500.

4 The bank writes:

Your withdrawals this month total £600.

5 You tell a friend:

I have withdrawn £46 from my bank account.

6 The bank writes:

Your total withdrawals this month of £400 mean that you have a debit balance of £150.

## Methods of taking money out of a bank account

Apart from withdrawing money from your bank account over the counter at a bank branch, there are several other ways in which you can take money out of a bank account, including:

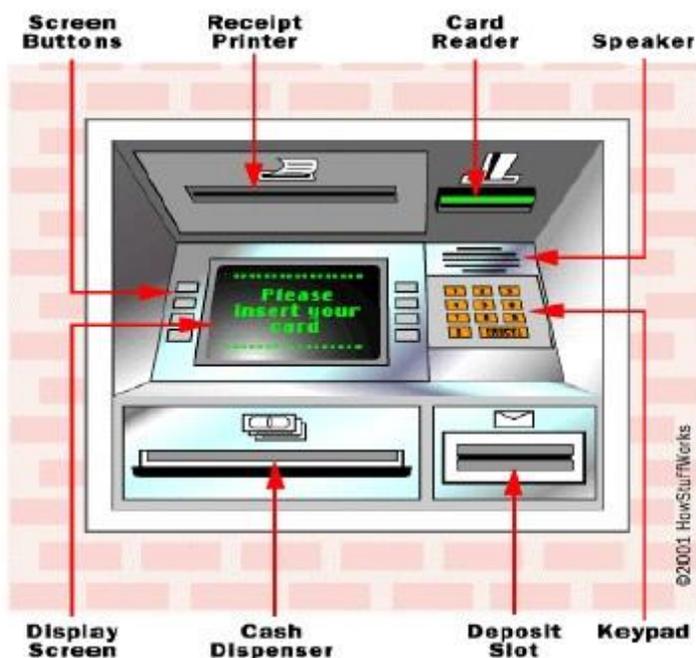
- ◆ by using an automated teller machine (ATM)
- ◆ by using a debit card
- ◆ by writing a cheque
- ◆ by standing order or direct debit

## Using an ATM

An ATM is also known as a 'cash machine', or 'cashpoint', or a 'hole in the wall'.

Customers use a plastic card to withdraw cash from their accounts. The types of card that can be used are a 'cash card' or a 'debit card'.

- ◆ A cash card can only be used to withdraw cash (either through an ATM or over the counter) and is usually given to someone under the age of 18.
- ◆ Debit cards can also be used to make purchases in shops and are normally given only to customers who are over the age of 18, although some young person's accounts do have debit cards.



ATMs are computer-controlled machines. The different parts are as follows:

### **Card reader**

Cardholders start their cash machine transaction by inserting their cash card into this slot. The card reader is a computer device that reads information about the user's account from the card's magnetic strip. The computer processor in the ATM then sends this information and details about the cash withdrawal to the user's bank or building society. Information is encrypted (that is, put into a code) and sent via special computer networks to keep it safe.

### **Cash dispenser**

This is the slot out of which the banknotes appear. Banknotes are held in a safe under or behind the ATM until a user makes a withdrawal.

### **Deposit slot**

Some ATMs have a deposit slot into which cardholders can put cheque deposits and cash deposits (see later in this topic).

### **Display screen**

This is the screen that gives the user instructions such as 'Insert card to begin' and offers the user options such as 'Withdraw cash with receipt' or 'Withdraw cash without receipt'. Some display screens are touch screens — that is, the user presses the screen to reply to the question or to give an instruction. Other display screens are not touch-sensitive. The user gives instructions to the machine by pressing a button beside the option that they want.

### **Keypad**

The keypad has buttons for numbers between '0' and '9' and a button to confirm choices called something like 'Enter', 'OK' or 'Confirm'. Cardholders use the keypad to input their personal identification number (PIN). If a cardholder wants to withdraw an amount of cash that is different from the standard options given, they use this keypad to enter the exact amount.

### **Receipt printer**

This is the slot out of which the receipt will appear. A receipt is a printed, paper record of the cash withdrawal that can be requested by the cardholder.

### **Screen buttons**

These buttons appear on each side of the display screen. Cardholders use these buttons to select options such as the amount of money that they want to withdraw.

### **Security camera**

The security camera is not indicated on the figure above because the position of the security camera is secret. ATMs have cameras that record the people using the machine. The bank or building society will view the tape if there is any problem with the machine.

### **Speaker**

ATMs have a speaker so that users can hear a beep when keys are pressed. Hearing this sound reassures users that they have pressed the key hard enough. The sounds also help people who are blind or partially sighted to distinguish between the different numbers on the keypad.

## **Activity 7**

**1 What different names have you heard used to describe ATMs?**

**2 Which of the following do ATMs dispense?**

- ◆ **Coins**
- ◆ **Banknotes**
- ◆ **Both coins and banknotes**

## **Activity 8**

Visit [www.moneysense.co.uk](http://www.moneysense.co.uk) to simulate cash withdrawal at an ATM.

You might find the following website useful for further information about storing and accessing money:

- ◆ <http://www.moneyadvice.service.org.uk/yourmoney/>

### **3.3 Compare the features, facilities and costs associated with debit cards**

#### **Using a debit card**

Apart from using it to withdraw money from an ATM, or over the counter in the bank, you can use a debit card to buy things in shops, over the phone, by mail order or over the internet. As long as there is enough money in your account to pay for the items that you are buying, the amount that you want to spend will be automatically debited from your account and credited to the account of the shop or website from which you are buying.

Some shops offer 'cashback' — that is, when you make a purchase in a shop using your debit card, the shop allows you to add cash to your bill and takes the money out of the till to give to you.

#### **Case study**

Joan is paying for her weekly shopping in her local supermarket and the total bill is £88.40. She asks for cashback of £30.

The cashier at the supermarket gives Joan £30 from the supermarket till and the total amount debited from Joan's bank account is:

$$£88.40 + £30 = £118.40$$

This is a convenient way for Joan to access her money, because it means that she does not have to visit an ATM. It is good for the supermarket, because it means that it has less cash to take to the bank at the end of the day.

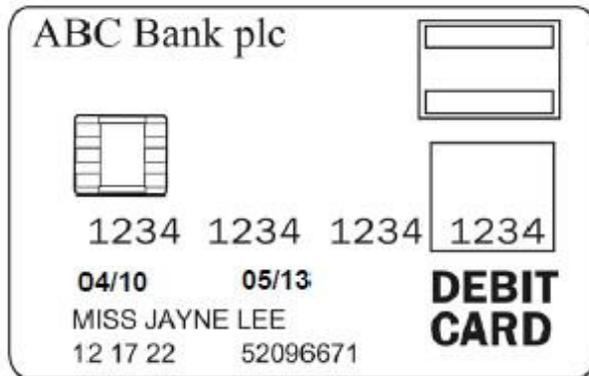
There are different types of debit card, including Solo, Visa Electron, Maestro and Visa Debit. When you use Solo or Visa Electron debit cards, the balance of your account is checked before each transaction. This is why some accounts for young people only issue Solo or Visa Electron (because it is assumed that they do not have a regular salary being paid into their account and that the account is likely to have a lower balance).

For Maestro and Visa cards, the account balance is not checked every time. Some retailers accept only Maestro or Visa.

#### **Why might it be a greater risk to use a Visa or Maestro debit card?**

## Activity 9

Debit and credit cards look very similar because they have many features that are the same.



1 What is the name of the bank that issued the above debit card?

2 What is Jayne's current account number?

3 What is the debit card number?

4 Where is the chip on the card?

5 What is the card's expiry date?

## Chip and PIN

The 'chip' in 'chip and PIN' refers to the microchip on the front of the debit card. This chip contains information about the bank account that the debit card accesses. The PIN is a four-digit personal identification number that the cardholder types into a keypad. It is the same PIN that the cardholder uses at the ATM. The PIN shows that the cardholder is the rightful owner of the card and gives the bank permission to transfer money from the cardholder's account to the shop's account.

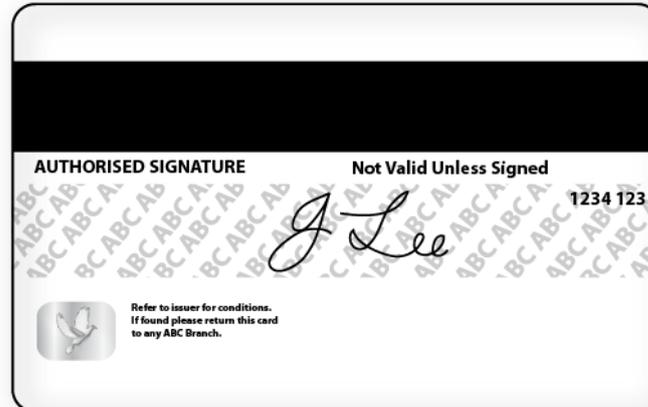
## Contactless payments



Many debit cards now include the contactless payment logo. This can be used for paying up to £30 worth of goods or services. To pay, the cardholder just touches their card against the reader. A beep or green light means that the payment has gone through.

## Using debit cards for mail order, telephone and internet payments

When debit cardholders use their cards to pay over the telephone or by mail order, they cannot type in their PIN and they must never tell the merchant what their PIN is. Also, when debit cardholders buy on the internet, it is not safe for them to type in their PIN. Instead, when debit cardholders make transactions from a distance, they are asked for the last three digits of the card security number that is written on the back of their debit card, as shown below. When making payment via the internet, cardholders should ensure that the site is secure and that the padlock sign is showing.



## Case study

Tad is shopping in his local supermarket. The bill comes to £38.60 and he wants to pay using his Visa debit card. He completes the following steps.

### What Tad does

- ◆ Tad checks that the shop accepts his type of debit card. The supermarket has a Visa debit sticker on the till, showing that it does accept his type of card.
- ◆ Tad gives the shop assistant his debit card.

- ◆ The shop assistant puts the card, chip-side down, into a computer device called a 'chip and PIN terminal', which reads the microchip on the card. The chip tells the terminal details about Tad's debit card.
- ◆ The shop assistant uses the keypad to type in the amount that Tad will pay for the shopping — that is, £38.60. Sometimes, the shop's till is linked to the chip and PIN terminal, so the assistant does not type the transaction amount; instead, the till automatically sends the information to the terminal.
- ◆ Tad uses the keypad to type in his PIN to show that he wants to pay the amount of the transaction on his debit card. He is careful to stop other people seeing his PIN by putting his hand over the terminal.
- ◆ The terminal prints out a receipt for Tad that shows the amount that he has spent on his card.
- ◆ The shop sends its bank details of this transaction and the computer network processes the transaction.
- ◆ The shop's bank credits the shop's bank account with £38.60 and the money is taken from Tad's current account.

## Activity 10

Research if there are additional costs associated with using debit and/or credit cards. For example, compare booking flights online. There are a number of comparison sites, for example [www.moneysavingexpert.com](http://www.moneysavingexpert.com)

### 3.4 Describe credit card purchase protection

A large number of credit card purchase protection schemes are available. Research the costs comparing three different plans. You might find the following websites useful:

- ◆ <http://www.moneyadvice.service.org.uk/yourmoney/>
- ◆ [www.moneysense.co.uk](http://www.moneysense.co.uk)

## Task 4: Creating and using a budget and opening a bank account

<i>What I need to be able to do</i>	CfE E and O	Learning Intentions	Resources	Success Criteria
<p><b>4.1</b> Identify areas to be considered in a personal budget</p> <p><b>4.2</b> Describe features of short term savings schemes and short term financial planning</p> <p><b>4.3</b> Describe how to open a personal bank account</p>	N/A	<p><b>I can...</b> Outline how to manage cash</p> <p>Identify the role of a simple budget in managing cash</p> <p>Outline the difference between necessary spending and optional spending</p> <p>Identify the effect spending has on other areas of a budget</p> <p>Construct a simple budget, eg using a spreadsheet</p> <p>Use basic calculations in constructing a budget</p> <p>Identify types of savings accounts, products and their providers. Outline the features of these accounts</p> <p>Identify what a current account is, and how to open and manage an account</p>	<p>SQA support materials</p> <p><a href="http://www.moneyadvice.service.org.uk">http://www.moneyadvice.service.org.uk</a></p>	<p><b>I can...</b> List at least three areas to be considered when constructing a personal budget</p> <p>Construct a simple personal budget, eg for a week or month</p> <p>Identify how spending on 'optional' impacts on 'essential'</p> <p>List three types of savings accounts</p> <p>List how money may be accessed</p> <p>List some of the providers of banking products</p> <p>List the requirements of opening an account</p>

## **Task 4: Creating and using a budget and opening a bank account**

### **4.1 Identify areas to be considered in a personal budget**

#### **Keeping track of your finances**

In order to keep track of your finances, you need to know how much is in your bank account or your savings account at any one time. Without knowing what you have in your account, you cannot budget for the next week or month.

Of course, you could go into your bank and ask how much you have in your account, but this is not always convenient and you might want this information at a time when the bank is closed. There are a number of ways in which you can check your balance without actually going into the bank itself, including:

- ◆ bank statements
- ◆ getting a balance from the automated teller machine (ATM) – either on screen or printed
- ◆ online banking
- ◆ over the telephone
- ◆ via a mobile banking app

#### **What are bank statements?**

Bank statements list all of the transactions that put money into and take money out of a bank account. The types of transaction that appear on a statement depend on the type of bank account to which it refers — for example, a current account or a savings account.

#### **Information shown on a current account bank statement**

A bank statement records the transactions on the account for a specified time period. Each line on the statement is a separate transaction.

## Activity 1

Teo has just received the statement for his current account with Big Bank plc. This is what the top part of the statement looks like:

---

### Current Account Statement

Account number: 71290439  
Statement number: 8  
Statement for 16 April to 15 May 201X  
Page 1 of 1

### Big Bank plc

12 The High Street  
Midtown  
MT4 17J  
Branch number: 91-20-07  
Telephone: 01876 667123

Mr Teo Szabo  
28 Oak Street  
Midtown  
MT51 6PN

Date 201X	Details	Payments	Receipts	Balance
15 Apr	Balance from statement 7			200.00
18 Apr	Cash machine wdl	30.00		170.00
21 Apr	Direct debit — Umbrella Insure Co	12.50		157.50

Use Teo's bank statement to answer the following questions.

- 1 What is the number of the account that this statement is for?
- 2 Where is the branch located?
- 3 What is the sort code of the branch at which this account is held?
- 4 If Teo were to have a question about a transaction on this statement, what telephone number should he call?
- 5 How many pages are there for this bank statement?

**6 What do you think 'wdl' means?**

**7 How much money was in Teo's bank account at the end of business on 18 April 201X?**

**8 How much did Teo pay the insurance company in April?**

#### **4.2 Describe features of short term savings schemes and short term financial planning**

There are lots of different types of savings account and many different organisations that offer them. If you have some money to save, it is very important to know the various types of savings account that are available, and to understand the benefits that each of them offer, before making your decision.

When you put your money in a savings account, it earns interest. This means that you will be paid by the bank or building society (or whatever organisation you choose) for leaving your money with it.

##### **Can you remember from where the interest you receive on your savings comes?**

When you save your money at a bank, you are actually lending the bank your money. The bank will then use your money, and money from other savers, to make loans to other people. The people who borrow from the bank will pay interest on their loan — that is, they will pay back more than they borrowed. This is called 'interest'.

The bank will pay some of the interest that it receives from its borrower to its savers, as a sort of reward. The savers do not mind their money being used in this way, because if it were left at home instead, it would not make any interest at all.

The savers can get their money back whenever they want it because the bank always keeps enough cash to pay its savers back whenever they ask for it.

##### **How safe is your money?**

People put their money in a savings account with a bank or a building society or other organisation because it is safer than keeping it at home.

### **But what would happen if the bank were to go bust?**

In the UK, all deposits in banks are guaranteed by the government up to £75,000 per individual, per bank/building society. This means that if the bank were to go bust, the government would make sure that people would get their money back — or at least the first £75,000 of that money. If a person has more than this to save, it will be sensible for them to spread it around different banks. (The limit was up to £85,000 until 1 January 2016 when it was reduced - See *Financial Services Compensation Scheme (FSCS) for current limits.*)

### **So what if the bank gets robbed?**

If money is stolen from a bank, the bank can still afford to pay back your money. This is because most money we use nowadays is not notes and coins, but electronic money — that is, transfers that occur on computer only.

Think about it: a person's wage or salary is automatically credited to their account; their bills are paid by direct debit; and most of their purchases are made by debit card. This means that if cash is stolen from a bank, it is only a very small amount compared with the amount of electronic money that the bank holds.

So your money is safe if you deposit up to £75,000 with a well-known bank or building society.

### **So how is interest calculated?**

Interest is calculated as a percentage of the money that you have in your savings account each year and it is added to your savings balance. You can either leave the interest there or you can take it out and spend it. If you leave it in the bank, more interest will be added the following year, and the year after, and your savings will grow.

### **Case study**

Danielle has collected £150 from this year's Christmas presents and she has decided to open a bank savings account. She has found a bank that pays 5 per cent interest. If she leaves her £150 in the account for a year without touching it, she will earn 5 per cent of £150 — that is, £7.50 — and then she will have a total of £107.50 in her account.

Next year, she will earn 5 per cent on the £107.50 — that is, £5.37 — giving her a total of:

$$£107.50 + £5.37 = £112.87$$

In this way, Danielle will see her money grow.

### **Tax on interest**

Interest on savings is also income and so you have to pay tax on it, as described in Topic 1. Before your interest is added to your account, the account provider will deduct the tax and pay it straight to the government. If you do not pay tax (because your earnings are below the personal allowance — see Topic 1), you can complete a special form and you will receive the interest 'gross'. In April 2016 a Personal Savings Allowance was introduced which means many people no longer have to pay tax on their

savings interest. This change means basic rate taxpayers paying 20% tax will be able to earn up to £1,000 in savings interest tax-free and higher rate taxpayers paying 40% tax will be able to earn up to £500 in tax-free savings income. There is no Personal Savings Allowance for people paying the top rate of tax.

Interest from tax-free ISAs does not count towards the Personal Savings Allowance.

Gross interest is the full amount of interest, with no tax taken off. It is just like gross pay and net pay:

- ◆ **gross interest** is interest on which no tax has been paid;
- ◆ **net interest** is interest on which tax has been paid.

Young people and children are most likely to need to complete the special form.

### **Types of savings account**

There are many different types of savings account available and which one you choose will depend on which will best suit your circumstances. You might want to put away a large sum of money for a long time or you might want to save a small amount of money each month out of your earnings. Other things to consider include:

- ◆ What is the interest rate on the account?
- ◆ How much money do you have to save each month — that is, is there a minimum or maximum amount?
- ◆ Can you take your money out at any time or do you have to give the bank some notice — for example, three months?
- ◆ Are there any other withdrawal restrictions or penalties?
- ◆ Can you access your account details online?
- ◆ Is there a minimum balance below which you cannot go?
- ◆ Can money be transferred into the account from another one?

The following sections outline a few of the different types of savings account available.

### **Current Accounts**

Many savers are now choosing current accounts over traditional savings products. This is because many current account providers are offering cashback as well as interest rates that compare well with savings accounts. For example, Santander's 123 current account offers 3% interest on balances of £3,000-£20,000. Other banks have similar schemes.

### **Instant access accounts**

The features of instant access accounts include the following:

- ◆ These accounts allow you to take your money out *at any time* (hence the name 'instant access').
- ◆ Money can be taken out by going into a branch or by transferring it into a current account.

- ◆ Such transfers can be completed by letter, phone call, or online.
- ◆ Interest paid on instant access accounts is generally very low.
- ◆ You can usually open an instant access account with a very small amount, such as £1.00.
- ◆ You can put in or take out as much as you like, whenever you like.

### **Notice accounts**

The features of notice accounts include the following:

- ◆ With notice accounts, you must tell the bank in writing *before* you want to take out some money.
- ◆ The amount of notice that you have to give to the bank will vary, for example, some accounts require seven days' notice, some require one month's notice, and some require three months' notice.
- ◆ You get a better rate of interest on a notice account than you do on an instant access account.
- ◆ Generally, the longer the notice period that applies to the account, the higher the interest rate.
- ◆ If you desperately want your money out and cannot give the required notice, the bank will charge you a penalty fee.
- ◆ These accounts are good for people who have some money to save that they do not expect to need for a while.

### **Regular savers accounts**

The features of regular savers accounts include the following:

- ◆ These accounts are for people who want to save a fixed amount on a regular basis, such as monthly.
- ◆ Some people will have one of these accounts and arrange for a transfer to be made from their current account as soon as they get paid. Such transfers can be made by standing order.
- ◆ Higher interest rates are paid for regular savings accounts than for instant access accounts because the bank expects you to be putting more money in, not taking it out.
- ◆ There are usually minimum and maximum amounts — such as, a minimum deposit of £10 per month and a maximum deposit of £500 per month.
- ◆ Sometimes, you are not allowed to take the money out until you have had the account for a minimum amount of time. If you need to do so, there will be a penalty fee.

## **Cash ISAs**

The features of cash individual savings accounts (ISAs) include the following:

- ◆ The interest on an ISA is tax-free.
- ◆ There is a maximum amount that you are allowed to invest in an ISA each year — that is, in 2016/17, £15,240. The ISA allowance can all be used in a Cash ISA or split over a cash and Stock and Shares ISA. The ISA allowance will rise to £20,000 in April 2017.
- ◆ ISAs cannot be held in joint names.
- ◆ The money saved in an ISA is instantly available.
- ◆ The interest rate is usually better on an ISA than on ordinary savings account.

## **Lifetime ISA (LISA)**

Lifetime ISAs will be introduced in April 2017 for people between the ages of 18 and 40. They can be used to save for a first home or for retirement. A factsheet with details of Lifetime ISAs can be accessed at

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/508117/Lifetime\\_ISA\\_explained.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508117/Lifetime_ISA_explained.pdf)

## Activity 2

Complete the following table to show one advantage and one disadvantage of each of the different types of savings account at which we have looked above.

Type of savings account	Advantage	Disadvantage
Current account		
Instant access account		
Notice account		
Regular savers account		
Cash ISA		

## Activity 3

Visit the websites of a range of different banks and building societies.

See if you can find the savings accounts that match each of the types that we have looked at above. You may have to look carefully, because the providers may name them differently.

Draw up a table of the interest rates for each type of account. Use the AER (see below) as the interest rate for your comparisons.

- 1 Which is the best provider for each type of savings account?
- 2 Which type of account might be best for you?

### The Post Office

The Post Office offers its own savings accounts, such as an 'Instant Saver' account, an ISA and some bonds — that is, a way of investing lump sums for a longer period of time.

## Activity 4

Visit the Post Office website, [www.postoffice.co.uk](http://www.postoffice.co.uk), and look at 'Savings and Investments'. If you select 'Instant Saver', you will find some other useful information and an interest rate comparison.

### Credit unions

'Credit unions' are financial co-operatives owned and controlled by their members. They offer savings accounts, and are local, ethical and know what their members want. Many credit unions now offer a range of services including: a savings account; ISAs; Child Trust Funds; and Christmas savings clubs.

Each credit union has a 'common bond', which determines who can become a member. The common bond may refer to people living or working in the same area, people working for the same employer, or people who belong to the same association, such as a church or trade union.

### Savings stamps

'Savings stamps' schemes (also known as 'savings clubs') are run by many supermarkets, some local shops and the Post Office. The idea is simple: you put away a little bit each month over the year to pay for a big shopping spree, such as Christmas or any special event (for example, a wedding).

The scheme involves you recording your savings either in a booklet with stamps (hence the name) or, more usually nowadays, using an electronic card. They usually allow you to save between £20 and £500 at a time.

The advantage of a savings stamp scheme is that you can put a little money to one side each time you go shopping. The disadvantage is that you are not paid any interest and that you have to spend the money at the shop with which you have saved.

### Christmas clubs

'Christmas clubs' are very like savings stamp schemes: you save a bit towards the high costs of Christmas. This can be done through a supermarket or another type of shop, such as your local butcher. These clubs involve the same disadvantage as savings stamp schemes — that is, that you can spend the money only at the supermarket or shop with which you have saved.

There is, however, a Post Office scheme that allows you to spend your savings at many shops.

**Note:** Both savings stamp schemes and Christmas clubs involve a certain amount of risk. Because your money is being looked after by the shop or business with which you are saving, if that business were to go bust, you may lose your money.

## Activity 5

Use the internet to research savings schemes, you might find the following websites useful:

- ◆ [www.moneysense.co.uk](http://www.moneysense.co.uk)
- ◆ <http://www.moneyadvice.service.org.uk/yourmoney/>

### 4.3 Describe how to open a personal bank account

#### Steps when opening a bank account

##### Step 1: Choosing the bank

We have discussed how you choose a shop; choosing a bank is not really very different.

You are less likely to have experience in choosing a bank, so this decision can be more difficult — you should carry out some research before choosing which bank to open your account with.

If you select one of the large UK banks or building societies, you can be reasonably sure that your money will be safe and that you will get a reasonable service.

Your choice might be based on one (or more) of several factors:

- ◆ the bank has a branch near to where you live or work
- ◆ it is the bank that someone else in your family uses
- ◆ you might have seen an advertisement on TV that you liked
- ◆ the bank might be offering something that attracts you, such as a free gift or an extra service
- ◆ it might be the only bank of which you have heard
- ◆ you may want to bank online or use telephone banking and you need to choose a bank that will allow you to do that
- ◆ it is a bank which offers mobile app banking
- ◆ it may have the nearest cash machine that is free of charge

It is a good idea to have a chat with people you know who already have a bank or building society account. They can give you some ideas and tell you if they are happy with their provider.

Next, you might visit several banks to pick up some leaflets, and take them home to read and to compare what they offer. It can be beneficial to have an idea of the type of account that you want before you talk to the bank. You could also research online by looking at bank websites.

## Activity 6

**If you have a bank account, list the reasons why you chose the particular bank? (If you do not yet have an account, what would you research about banks before choosing one.)**

### **Step 2: The application form**

Once you have chosen your bank, you may need to go into the branch and have an interview. The bank will ask you to bring an application form with you.

The bank will want to know:

- ◆ your full name
- ◆ your address (and your previous address if you have not lived at that address for very long)
- ◆ your date of birth

It may also want to know a memorable word for security — to make sure that nobody else can access your money. You are probably familiar with memorable words for other websites. You should choose this one very carefully. You will be using it for a long time: you do not want to forget it when you need to talk to your bank in an emergency, such as when you have run out of cash. Also, you do not want to write it down anywhere — because that would not be safe. Remember that the bank is looking after your money: you would not want to tell someone else how to get it. Often, the bank or building society will suggest that your memorable word should be your mother's maiden name. This is because a stranger or someone who you do not know very well, is very unlikely to know this. If you choose something such as your middle name, that will be much easier for a fraudster to find out. If you are under the age of 16, you will need to ask your parents to complete information about themselves.

## Activity 7

Your teacher has some blank application forms for you to complete.

Try to write carefully, putting one letter in each box. Make sure that the form can be easily read: ask your friends to try. But do not put your real memorable word in the box!

### Step 3: Evidence of identity and address

The banks want to protect their customers from the risk of fraud. The law in the UK also says that they have to confirm the identification of everyone who opens a bank account. Documents that are suitable evidence of identification include:

- ◆ a current signed passport
- ◆ your birth certificate
- ◆ your medical card
- ◆ a photo driving licence

The bank also wants confirmation of your address, so that it knows any information or cards that it plans to send to you are going to go to the right address.

The usual documents used as evidence of this would be bills — but a young person is unlikely to have these, so the bills can be in your parent's name, as long as you share the same surname. Bills might include:

- ◆ a gas, electricity or phone bill
- ◆ a council tax bill
- ◆ a bank or building society statement

If you do not have documents to confirm your address, a letter from your college or school confirming your address is also acceptable. Mobile phone bills are not acceptable, however, and neither are photocopies.

### Step 4: Applying for the account

You may need to make an appointment to see a member of the bank staff to open your account.

**What things do you think you might need to take with you? (Do not forget a parent or guardian if you are under the age of 16!)**

The things that you will need to take with you will include:

- ◆ the application form
- ◆ evidence of your identity
- ◆ evidence of your address and some money to put into the account

You also may have some questions that you want to ask.

## Step 5: Choosing an account

The person who interviews you will help you to choose the right account — but you probably will have an idea of your own. For young people, there are three main types of bank account:

### A savings account (any age)

A savings account will let you put money into the account and take it out. You may be given access to check your account online. The bank will also pay you interest.

### A young person's account (for those aged 15–17)

These are for people under the age of 18. This type of bank account will allow you to take your money out of a cash machine and at a branch. Some young person's accounts have a debit card, allowing you to pay for things in shops. You will receive regular statements and be able to check on your balance at cash machines.

If you have a job, then your employer will be able to pay your wages into the account.

### A current account (for those aged 18 and over)

The current account is an account used for day-to-day living expenses. You will be able to take money out of the account using a debit card or a chequebook.

You will be able to set up direct debits and standing orders (that is, automatic payments to pay bills, such as your mobile phone bill). The bank may agree to an overdraft, which allows you to spend a little bit more than you have in your account — in effect, a type of short-term loan. Of course, you must pay this money back.

## Activity 8

**Visit the websites of some of the main banks and building societies. Look at the features of the bank accounts for 15–17-year-olds.**

**You may want to set up a table comparing such things as:**

- ◆ interest rates
- ◆ whether a debit card is issued and other features — for example, some accounts may offer a free gift, or offer discounts when the debit card is used at certain stores, such as bookstores or music shops

## Activity 9

**Use the internet to further research bank accounts. You might find the following comparison websites useful for looking at costs and benefits across a range of accounts:**

- ◆ [www.moneysupermarket.com](http://www.moneysupermarket.com),
- ◆ [www.moneysavingexpert.com](http://www.moneysavingexpert.com)

## Task 5: Comparing foreign currencies and using foreign exchange

<i>What I need to be able to do</i>	CfE E and O	Learning Intentions	Resources	Success Criteria
5.1 Describe the features of some foreign currencies	N/A	<p><b><i>I can...</i></b> Describe the features of some foreign currencies, including name, shape, colour, denominations etc. This may include euro, dollar(s), krone, yen, RMB, etc</p> <p>Carry out simple currency exchange calculations</p> <p>Compare the overall costs for currency exchange, including commission where applicable</p> <p>Identify differences in rates in currency exchange (when exchanging sterling or vice versa)</p>	<p>SQA support materials</p> <p><a href="http://www.moneyadvice.service.org.uk/">http://www.moneyadvice.service.org.uk/</a></p> <p><a href="http://www.postoffice.co.uk/foreign-currency">http://www.postoffice.co.uk/foreign-currency</a></p> <p><a href="https://www.ramsdensforcash.co.uk/travel-money/">https://www.ramsdensforcash.co.uk/travel-money/</a></p> <p><b>Textbook</b> 'Maths in Action — Higher Mathematics' Doug Brown ISBN 017431499X Nelson Thornes. TJ 3G/ 4G</p>	<p><b><i>I can...</i></b> List at least three different foreign currencies and the country associated with them</p> <p>Describe some of the notes and coins from three foreign currencies</p> <p>Carry out calculations including exchanging sterling to foreign currencies</p> <p>Carry out currency conversion calculations</p> <p>Describe why rates of exchange are different depending on whether buying or selling, or if commission is added</p>
5.2 Calculate currency exchange				
5.3 Compare the costs of foreign exchange				

## **Task 5: Comparing foreign currencies and using foreign exchange**

### **5.1 Describe the features of some foreign currencies**

#### **Activity 1**

Use the internet to research some different currencies and the countries in which they are used, for example, dollar, krone, yen, RMB, sterling, rand.

- 1 Describe banknotes — denominations, colours, security features.**
- 2 Describe coins as above.**
- 3 Use a map of Europe/the world to highlight which areas/countries use which currency.**

### **5.2 Calculate currency exchange**

#### **Activity 2**

Use commercial resources as appropriate to calculate exchange.

Use internet sites to calculate currency exchanges. (Currency exchange should be 'both ways', ie sterling to foreign currency and foreign currency to sterling.) Calculations could include exchanging money, buying goods and then exchanging the remainder back to sterling.

In addition to using conversion sites, you can check the calculations yourself. Your teacher/tutor will give you examples of how to convert from one currency to another using a calculator.

You will then be given a number of examples to try using the method shown. This allows for a bit of "tailoring" eg if a school is going abroad for a trip/exchange the currency from those countries could be used.

### **5.3 Compare the costs of foreign exchange**

#### **Activity 3**

Use comparison sites to investigate different exchange rates and costs.

Investigate different exchange rates if commission is added.

Investigate costs if using an ATM (debit or credit card) whilst aboard.

## Appendix — textbooks

(Please note that this list is exemplar in nature and is not exhaustive.)

Title	Publisher	ISBN	Contains material on...
TJ 3G	TeeJay	N/A	Wages and salaries Simple interest Bills and utility bills Profit and loss Hire purchase Insurance Foreign exchange
Maths in Action S3(1)	Nelson Thornes	0-7487-8542-6	Buying, selling and bills profit/loss VAT and borrowing Hire purchase, loans, Insurance
Maths in Action S3(2)	Nelson Thornes	0-7487-8538-8	Money — bills, profit/loss VAT, utility bills, foreign exchange, hire purchase, loans, insurance
Maths in Action S4(1)	Nelson Thornes	978-0-7487-9047-0	Earnings Percentages in money
Maths in Action S4(2)	Nelson Thornes	0-7487-9043-8	Money calculations, wages and salaries, income tax Bank and building society accounts and interest
Scottish Secondary Maths Red 3	Heinemann	978-0-435040-56-7	Earnings
Maths in Action Intermediate 1	Nelson Thornes	978 0 17 431497 4	Calculations in context Earning Foreign exchange Insurance Hire purchase More calculations in social context Loans
Intermediate 1 Maths (Brian J Logan)	Hodder Gibson	978-0-340-93923-9	Everyday calculations Earning Hire purchase Insurance Foreign exchange Social arithmetic — earnings Loans