FINANCIAL FITNESS:
LEVEL UP

BANKING 101
RECOMMENDED AGE: 16+:

LESSON INTRODUCTION
An introduction to the world of banking from day to day running of a bank account, to understanding borrowing and investing for the future. The complete lowdown of banking products to aid young people in understanding how they can be best used to support different financial needs.

LEARNING OBJECTIVES
- Understanding the features and uses of a current account
- The importance of saving & investing
- Understanding debt & and when borrowing is appropriate
- The importance of budgeting
- How to protect against fraud.

LEARNING OUTCOMES
By the end of this lesson, young people will:
- Understand how to open & run a bank account
- Understand banking terminology
- Understand the security around cards & PIN numbers
- Have a better understanding of debt management.
- Have a better understanding of fraud prevention
- Be able to create a financial plan

VOCABULARY TO INTRODUCE

Current account	Debt
Overdraft	Pension
Personal loan	Fraud
Debit card	Investments
Credit card	ISA
Saving	Financial resilience
PIN numbers	Emergency fund

5 MINUTES | INTRODUCTION

Introduce yourself and explain that in the next hour you aim to go through all there is to know about banking to help people make financial decisions and build a financial plan

Run through any information needed around the technology being used for the session – to run the polls, to type in comments, ask questions etc.

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5 MINUTES | CURRENT ACCOUNTS

SLIDE 1

Opinion Poll
Has everyone here got a current account?

- Yes
- No

In fact according to research by the Money Advice Service, four in ten 16-17 year-olds (39%) don't have a current account, and nearly one in five (18%) have no bank account at all (so no savings account either).

The 101
A current account is a transaction account that will have a debit card linked to it that you can use for purchases. This is where your salary can be paid and also where you can send money from. You can also pay regular bills from your current account using direct debits.

Choosing the right one
Many banks offer deals to attract new customers but it's important to make sure the account is the right one for you. Don't get so distracted by the incentive that you don't look at the account. Check that the account itself works for your needs.

Overdrafts
If you are over 18, your bank account might have an overdraft. This is where your bank account provider allows you to take out more money from your account than you have in there. Generally, this should be used only as a short-term form of borrowing, until your next payday. Some accounts offer interest-free overdrafts but the bank might withdraw this at short notice, so don't let the debt mount up. It's important to remember that if you go overdrawn without the permission of the bank, the charges can be very high.

Interest rates on credit balances
This is where interest is paid to you for keeping your money in the bank. So if you have £50 in your money box you are better off putting it in the bank where it can earn a little extra money over time and where it is also much safer.

Fees associated with the account
It's worth knowing what fees you may get charged if you go overdrawn on your balance or if you go outside your agreed overdraft limit. If you are likely to be travelling abroad, it's worth checking out the fees on foreign payments or transfers too.

Debit card
This can be used to withdraw cash 24/7 in the UK and abroad via an ATM. I can make online purchases and be used in shops. If contactless can be used, it can make contactless purchases under £45. Check what card comes with the account and how widely it is accepted.

PIN
Keep your PIN number safe and do not disclose it to anyone. You can change this to any 4-digit number you wish at any branch of your bank. Always ensure you have the 24 hour lost/stolen number stored in your mobile or written down somewhere should you need it.

Mobile banking
There's no longer any need to go to a branch for most of your everyday banking. You can manage your money easily and safely with mobile banking – or apps – and online banking.

- Viewing statements, or recent transactions
- Transferring money between your own accounts
- Sending money to other accounts either in the UK, or outside the UK
- Setting up Direct Debits and Standing Orders
- An example of how you can manage your money is by seeing how much money you have left after bills have been paid

Talk about how to open an account

- Online or in branch with most banks
- To open an account, you'll need to prove your identity and your address:
- Your bank card and PIN will be sent separately. Your PIN can be changed at an ATM to something that you might find more memorable but avoid this being something that anyone could guess – your birth date, Christmas day, valentine's day or worse still 1234!

10 MINUTES | SAVINGS

SLIDE 2

Opinion Poll
Who here has a savings account of some sort?

- Yes
- No
- Not sure

Opinion Poll
What are you saving for?

- I'm not
- Holiday
- Car
- Moving out
- House
- A rainy day
- Something else

The 101
Explain there are several types of savings accounts in the UK. You can use savings accounts to put away money that you'd like to save for the future, for emergencies or to buy expensive purchases like a new car or a holiday. There are accounts that reward you for regular saving, accounts that offer better interest rates if you fix in for term and Individual Savings Accounts (ISAs), which offer a tax free option for the interest that you earn on your savings.

The best kind of savings account will depend on your circumstances and what you want to achieve.

Instant access savings accounts
An instant access saver can be useful if you'll need to dip into your savings from time to time. You might not get as good an interest rate when compared to a fixed rate savings account, but you won't need to pay a fee for accessing your money.

Fixed rate savings accounts
If you've got long term savings goals in mind, a fixed rate savings account may be right for you. You may be able to get a higher rate of interest compared to an instant access savings account, but you'll need to lock away your money for a set amount of time. This can be anything from 1 to 3 years, so it's important to be sure you won't need access to your savings during the term. If you do access your money, you may need to pay a fee, or receive a loss of interest.

Regular savings accounts
Some banks offer regular saving accounts to encourage you to put some extra cash aside each month and build up your savings balance. This may have a fixed time associated with the account, as for a fixed rate savings account which would discourage you from making partial withdrawals during the fixed period. Regular saving accounts will often have a minimum and maximum amount that you can pay in each month but may also offer a strong interest rate as a result.

Tax-efficient savings accounts
ISA stands for Individual Savings Account. The main benefit of an ISA is you can save, or invest money, without paying tax on any earned interest, or capital gains. In the 2020/21 tax year, you can save up to £20,000 in an ISA. This limit is set by the Government and can change from one financial year to another.

Cash ISA
Cash ISAs work like other savings accounts, with the added bonus of being tax efficient

Stocks & Shares ISA
These enable you to make investments without having to pay income tax, or capital gains tax, on any profits made.

Lifetime ISA
These are designed to help you save for your first home, or for later life. You can hold both cash and investments within them. They're available for people aged under 40 and you can save up to £4,000 a year, up until the age of 50. The Government will top up your savings, adding 25% up to a maximum of £1,000 each year. You'll pay a 25% charge to withdraw from this type of ISA unless you use it to buy your first home, or you're aged 60 or over.

Opinion Poll
How many households in the UK have no savings according to research by The Money Charity in 2020?

- 4.7m
- 6.4m
- **10.0m**
- 12.3m

SLIDE 3

When we do have our finances in a 'healthy' position', it is important that we ensure any spare funds we have (or funds in our savings towards our future) are put in an appropriate account, suitable to our personal requirements. and needs.

1. Make saving a habit
Encourage people to aim for 20% of their income, but most importantly to budget for what they can commit to putting away.

2. Set a goal and identify if is short, medium or longer term.
Run through the 3 different examples of savings products

SHORT TERM SAVINGS GOALS
(0-5 years): flexible, easy access, emergency fund

MEDIUM TERM
Example this is a 5 year fixed term ISA: Investing your money to help keep up with inflation and get a better return.

What's the benefit of saving in an ISA?
Use them to save cash or invest in stocks and shares. Allowance for tax year 2019/2020 is £20,000 into a Stocks and shares ISA, or into a Cash ISA, or any combination of these.

The benefit of an ISA is that you pay no Income Tax on the interest or dividends you receive from the ISA. Any profits from investments are free of Capital Gains Tax.

LONG TERM GOAL
Refer to the example on the slide - Pension.
Plan how much you will need, and work out over the longer term, if you are saving enough to get you there.

Basic auto enrolment pension example:
Annual Salary: **£28,366**
Age: **25 (No previous pension savings)**

Alex is saving into a pension through Automatic Enrolment - so a total of 8% is going into his DC pension scheme.

The 8% is made up of the following:

- Alex's annual contribution (4%) - £1,134
- Tax relief (1%) £283
- Employer contribution (3%) £851

If in the example you wanted to achieve even more, you could increase the total contributions into his pension to **12%**. This would be an additional **£95 per month** – which in this example, could be met in full or in part by an employers and Government tax relief.

As you can see from the slide, the importance here is deciding what goals, you have in terms of your savings/investments to help you choose the right product, with the right level of access.

5 MINUTES | INVESTING

SLIDE 4

Emphasise the importance of learning the basics and understanding the risks before investing.

Investing 101

Investing is a way of setting aside some of your money for the future, by putting it to work for you. When you invest, you're buying something that you believe will increase in value over time. The main thing you need to remember is there are no guarantees. The value of any investment can and will jump around so you could get back less than you invested.

What can you invest in?
Explain the 2 most well-known ways to invest: shares & funds.

When you buy shares, you're buying a tiny stake in a company.
If the company performs well, you earn a profit. If the company does badly, your investment may not grow and you could even lose the money you invested. Share prices can also be affected by other factors, such as supply and demand, interest rates and the wider economy.

When you buy funds
You're buying into a ready-made basket of investments. Some funds are even managed for you by an investment professional. Funds include many different investments rather than just one, which is why many people start by investing in funds.

What could an investment do for me?
Explain that by investing in the stock market, you get access to a wide range of assets, such as shares, bonds and funds. The diversity is what gives your money the potential to generate a better return than cash in the long run. If you have time on your side, investing for growth could be good to try and increase the value of your actual investment – to grow the original amount that you put in.

How much risk should I take?
Some people are naturally more cautious than others. **Emphasise that no investment is risk-free.** You're putting your money into something you believe will go up in value but there are no guarantees. You'll be exposed to the uncertainties of the market, which means the value of your investment can and will jump around so you could get back less than you put in. This is all normal and to be expected. With investing, risk and reward go hand in hand.

Usually, higher-risk investments have the potential to give you higher rewards while lower-risk investments tend to equal lower rewards. What's important is to ask yourself: how do I feel about taking a risk with my money?

Can I access my money if I need to?
Explain that many providers allow you to access your money quickly if you need to – usually within 2-3 days of selling your funds or shares. Some funds will take longer to access in some cases up to two weeks so please check with the provider.

Emphasise that you should build up an emergency fund of 6 months' worth of expenses before you make an investment. This gives you a financial cushion in case there's an emergency, so you should be able to leave your investment untouched and give it the time it needs to grow.

Before you do anything, investment advice could help you make up your mind about investing. This can help you explore your attitude to risk so you can get advice on if now is the right time for you to invest. That way you'll be in a great position to decide.

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10 MINUTES | CREDIT CARDS

SLIDE 5

Opinion Poll
How much did customers collectively borrow from the banks in 2019 on their credit cards?

- 67.2 Million
- 72.6 Million
- 67.2 Billion
- **72.6 Billion (Bank of England 2019)**

Opinion Poll
If someone has a £3,000 balance on their credit card that charges 19% APR, they pay their minimum payment around £74 a month. How long will it take them to clear the balance?

- 2 years 7 months
- 7 years 10 months
- 12 years 6 months
- **27 years 7 months**

Credit Cards 101

Explain you can use a credit card to buy goods online and pay for products and services in shops and restaurants. You borrow the money from the credit card issuer and pay it back either in full or in monthly instalments. If you don't repay in full, you'll also be paying interest. You'll have a minimum repayment which you have to make. But it's best to repay in full (or as much as possible) so you reduce the time it takes to repay the debt and also how much interest you're charged.

You're able to spend up to a certain amount on the credit card. This is known as your credit limit. And your credit card issuer will send you a bill every month with a list of all your transactions.

What is interest?

Explain that if you don't pay off your credit card balance in full after receiving your bill each month, you'll be charged interest on what you owe. This is a percentage of what you owe.

What is APR?

APR stands for Annual Percentage Rate and is the cost of borrowing money over a year on a credit card or loan. It takes into account interest, as well as other charges you may have to pay such as an annual fee. If you do ever need to borrow money, it's really important to consider how much interest you will need to pay and shop around for the facility or product that is best for you.

WHY USE A CREDIT CARD?

1. Spread the cost of big-ticket items

Want to book a holiday or buy a new sofa? You can make a purchase and then repay the balance over the course of several months.

2. Get purchase protection

Under Section 75 of the Consumer Credit Act, you're protected if you buy anything that costs between £100 and £30,000. If something goes wrong, such as the goods being faulty or the company you bought from going bust, you could get a refund.

3. Build your credit rating

Having no credit history means that banks are unable to assess how well you can manage debt. A credit card can help you build up a good track record of paying off debt. When it comes to applying for larger loans like a mortgage, this can help prove you're responsible.

4. Prepared for emergencies

A credit card can help cover repairs or unexpected expenses.

BEFORE YOU APPLY FOR A CREDIT CARD, THE KEY THINGS TO THINK ABOUT ARE:

1. How you'll handle temptation:
With a credit card you may be able to spend more than you're really comfortable with. You may need to set yourself some rules for spending.

2. Your spending habits:
If you're planning to pay off your bill in full every month, the interest rate may be less of a concern to you, so you could consider a credit card with the lowest annual fee. If you're going to carry a balance, however, it may be worth looking for a card with the lowest possible interest rate. Keep in mind that you don't want to be setting yourself up with long term debt – so carrying a debt indefinitely is not what a credit card should be used for.

3. Fees and charges:
Some credit cards charge an annual fee. You could also be charged a fee if you go over your credit limit, or make a late payment. This could harm your chances of getting credit in the future.

Opinion Poll
According to the Money advice service, how much does each UK household have on average unpaid on credit cards?

- £1,946
- £2,271
- £2,594
- **£2,688 (Money Advice Service 2019)**

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5 MINUTES | JARGON BUSTER

SLIDE 6

Check if all of the terms used in banking are known

- DD – Direct Debit
- SO – Standing Order
- CR – Credit
- AER – Annual Equivalent Rate – the rate of interest used on savings accounts to tell you how much you will be paid in interest over the course of a year
- DR - Debit
- ISA – Individual Savings Account

- PAYM – System in the UK that supports payments made by mobile phone
- APR – Annual Percentage Rate – A full year of interest on the amount of money you have borrowed, including any associated fees. Can be used to judge how much you may be charged to borrow money, for example on a credit card.

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10 MINUTES | BUDGET PLANNING

SLIDE 7

Knowing exactly how much money you've got coming in and going out – as well as where it goes – can help people to prioritise spending.

LEVEL UP ON BUDGETING

1. Decide your budget format
Suggest an app or online budgeting tool can be a great resource, but a spreadsheet or a notebook and pen can work too. Whatever you choose, make sure it's something you can keep track of and update.

2. Note your income and expenses
Encourage keeping track of the money coming in on a regular basis e.g. salary, maintenance loan or money from parents. If your income changes from month to month, work out the average over the last 3 months.

Then, look at your bank statements or transaction history for the last 3 months, work out your average monthly spend. By comparing your income and expenses, you'll see if you're living beyond your means or if you've got money left over.

It can be helpful to put your expenses into categories so you can see specific areas where you may be overspending. Include regular outgoings like:

- Bills (e.g. utilities, phone, internet)
- Rent or mortgage
- Groceries
- Eating out
- Shopping
- Transport

Highlight features of mobile banking apps such as those which show you your balance after bills, where you can see how much you've got free to spend or save after all your bills have been subtracted.

3. Make a plan

- If you feel you're spending too much or want to save more each month, look at what you can change.
- You can try making small adjustments like bringing your own lunch to work. Or consider making bigger changes like switching energy supplier.
- Once you've decided where to make changes, set yourself a monthly (or weekly) goal for spending in each category.
- This might include some trade-offs along the way. If you've got £50 for new clothes, it might mean choosing between a pair of trainers or a jumper. The other one will have to wait until next month.
- Account for irregular costs too, such as car tax, holidays and Christmas. It helps to allocate a certain amount for them at the start of your budgeting period.
- If you have money allocated for savings, move it into a savings pot or account as soon as you get paid. This way you're not tempted to spend it elsewhere.
- It's good to aim high, but be realistic: making things too hard may mean you get quickly disheartened.

4. Stick to the plan

- Review your budget regularly to check you're sticking to the plan.
- Pay close attention to how you're tracking against each category. This will tell you where you may want to cut back or adjust your budget.

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5 MINUTES | WHAT IF YOUR OUTGOINGS ARE MORE THAN YOUR INCOME?

SLIDE 8

Opinion Poll

According to National debt line, when we exclude student loans and mortgages, 37% of 18-24 year olds are already in debt.
What is the average amount.

- £2,167
- £2,678
- £2,989
- **£3.409**

If debt gets out of control, it can have a detrimental effect on our mental wellbeing. 51% of adults under 25 say they regularly worry about money and 21% have lost sleep as a result. Meanwhile 32% feel their debts are a heavy burden. Women are more likely to worry about debt than men, however if you stick to a budget and check your balances, you will be in better control of your finances.

FINANCIAL FITNESS:
LEVEL UP

Borrowing money can be a daunting prospect, not least during periods of economic uncertainty.

EXPLAIN THAT PEOPLE SHOULD CONSIDER

- **Why do you need to borrow?**
  What will you use the money for?
- **How much do you need?**
  Try to work out an exact amount if you can, whether it's for a one-off cost, or to cover expenses over a longer period
- **How much can you afford to repay each month?**
  Work this out based on your estimated budget for as far as you can plan ahead
- **How long do you need to borrow for?**
  Based on how much you need and what you can afford to repay, will you be borrowing for a set, or indefinite, period?

YOUR BORROWING OPTIONS

Once you've answered these questions, you'll be in a better position to decide which way of borrowing would be most cost effective. Keep in mind, you'll need to pass eligibility checks to be approved for any borrowing.

Arranged overdrafts

- **How do they work?**
  Arranged overdrafts let you continue spending money from your current account when your balance reaches £0, or below. You can typically borrow a certain amount in this way interest free. But once you pass that amount, you'll be charged interest.
- **What are they suitable for?**
  An arranged overdraft is there to help if you occasionally go over budget. For example, you could dip into your overdraft to cover your costs until you get paid next.
- **Watch out for...**
  It's possible to become over-reliant on an arranged overdraft and use it to cover more than occasional costs. Standard interest rates may be higher than on loans and credit cards, so they can be an expensive way to borrow. You can compare overdrafts with other ways of borrowing by looking at the APR. APR is the cost of borrowing over a year and helps you compare the costs with other credit products.

Credit cards

- **How do they work?**
  You can use a credit card to buy things and pay for them at a later date. If you owe money, you have to make at least a minimum payment – which is usually a percentage of what you owe – each month. If you don't repay the amount you owe in full each month, you'll typically be charged interest. You'll have a credit limit, which means you can spend as much as you need on the card up to that amount.

- **What are they suitable for?**
  Credit cards can help you spread the cost of regular, or one-off, purchases. They also provide protection if those purchases go wrong, such as goods being faulty or flights being cancelled. And by keeping up with repayments, you can use them to improve your credit rating. If you don't have an emergency fund, credit cards can also provide back-up to cover unexpected costs.
- **Watch out for**
  The amount you owe – money you've spent on the card, plus interest – can mount up if you're not careful. Try to pay back as much as you can each month, ideally all you owe. The more you pay back, the less interest you'll be charged. Avoid late fees by setting up a Direct Debit to cover at least the minimum payment each month.

Personal Loans

- **How do they work?**
  A loan is where you borrow a set amount of money for an agreed amount of time. You pay back the full amount – usually in monthly instalments – plus interest. For most fixed-term loans, the rate of interest is also fixed at the outset and won't change for the duration of the loan. The rate of interest is typically lower than for overdrafts, or credit cards.
- **What are they suitable for?**
  Loans can allow you to spread the cost of a big purchase. They're commonly used for buying a car and home improvements, for example. They can also be used to consolidate multiple debts into one. With a single monthly repayment and interest rate, this can make debts easier to manage.
- **Watch out for**
  It's really important you can comfortably afford to keep up with your repayments. If you miss a loan repayment, it could impact your credit rating. And if you end up not being able to repay the loan, you could face a county court judgement or bankruptcy. If you're applying for a loan to consolidate other debts, it's important to consider not just the interest rate and monthly repayments, but also the term of the new loan compared to the remaining term of your existing loans or debts. Spreading your payments over a longer term means you could end up paying more overall than under your existing arrangements, even if the interest rate on the new loan has a lower rate.

Be aware of loans with high interest rates. For example, payday loans can offer quick access to cash, but you could end up paying back far more than you borrowed. This could make it harder to get out of debt in the long run.

5 MINUTES | WORTH REMEMBERING

SLIDE 9

Give some top tips on staying on top of your money:

- **Create a budget**
  Whether it's online, in excel or on a piece of paper make sure you know what you have coming in and going out
- **Set up a savings account to save for goals or unexpected costs**
- **Prioritise building up an emergency savings fund**
  Aim for 3-6 months of bills to begin with
- **If you find yourself in a difficult financial situation**
  Talk to someone or speak your bank for help. You may be able to consolidate your outstanding debts to make them more manageable over time.
- **Don't log in to your mobile banking using public WiFi in a hotel, café or restaurant as this may leave you vulnerable to fraudsters**
- **Don't share your PINs/Passwords**
  Keep apps up to date, watch out for fraudulent emails/texts and be careful of what you share on social media