

# A young person's guide to MONEY...



[www.newport.gov.uk](http://www.newport.gov.uk)

This guide will give you **advice** and **information** on saving and budgeting your money.



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## **A YOUNG PERSON'S GUIDE TO MONEY...**

This guide will give you **ADVICE** and **INFORMATION** about all things to do with money including:

- **Saving money**
- **Budgeting your money**
- **Getting access to extra funds**
- **Keeping money, possessions and yourself safe**



## HELP WITH MONEY...

There are different ways you can save or access money depending on how quickly you need to get your hands on it.

## BENEFITS...

Whether you work or not, you may be able to claim some benefits. You can also speak to your local citizens advice bureau or your job centre work coach for advice.

## EMPLOYMENT...

If you are in work and you need more money you could ask if there is any overtime available.

The Young Person's Guide to Employment also gives information and advice on accessing extra funds when you are working.

## GRANTS...

A grant is money you receive to help you pay for a specific item and you do not have to pay it back.

Depending on your current income (*from benefits or a job*) you may be able to get access to a grant to help you out.

These can be for a number of different things including:

- **help if you have a child**
- **towards energy costs**
- **towards essential items**
- **training or employment**



## JUNIOR ISA...

If you have been in care for over 12 months a junior ISA will have been set up for you by the local authority. You can get this money if you need it once you turn 18.

If you don't need it at 18 it's a good idea to carrying on saving the money until you do need it.

## SELLING ITEMS...

If you have some things you no longer use, such as clothes or computer games, try selling them to raise some money. Places you can try selling items include:

- **eBay**
- **Facebook- buy/sell groups**
- **Shpock**
- **A local computer game exchange store**

## TYPES OF SAVINGS...

### **Easy access savings**

As the name suggests, this type of savings account means you can get your money quickly and with no penalties.

These accounts are easy to set up and you can usually put in as much or as little as you want each week/month. You can usually take out money as often as you want through the year.

The interest you gain is likely to be less than other types of savings.

### **Easy access savings**

Help to save is a type of savings account. It allows certain people entitled to working tax credit, or receiving universal credit to get a bonus of 50p for every £1 they save over a 4 year period.

Help to save is backed by the government which means all savings in the scheme are secure.

If you are on universal credit you can use help to save.

You can save between £1 and £50 per month and receive a bonus at the end of the second and fourth year. This bonus is worth 50p for every £1 you save (assuming you don't take money out of the account) which is much higher than any interest you will get from saving with a bank.

To apply visit [www.gov.uk/get-help-savings-low-income](http://www.gov.uk/get-help-savings-low-income)

### **Did you know?**

You can open a savings account with any bank you want - not just the one where you have your current account. Make sure you shop around for the best one.

### **Limited access savings**

For this type of savings you will only be able to take money out a couple of times each year. This can be between one and four times per year.

The bank will lower the interest rate if you have to take money out more often.

### **Regular saver**

This is a savings account where you have to pay in a set amount each month - usually between £25 and £250 per month. The interest rate may be fixed for a year which means it could be a lot lower after 12 months.

Some accounts may penalise you for taking money

## **OTHER WAYS TO SAVE...**

With changes in technology come new ways to save. Here are some examples on how to save with and without technology.



## **1p savings challenge**

Each day you save what you saved the day before, plus a penny more.

If you start on 1 January, by 31 December you'll have saved over £600.

For more information visit [www.moneysavingexpert.com/team-blog/2019/12/the-1p-365-day-savings-challenge](http://www.moneysavingexpert.com/team-blog/2019/12/the-1p-365-day-savings-challenge)

## **Save the change**

A number of banks are now offering this scheme. When you pay with a card the bank will round up the amount to the nearest pound and the difference will be added to your savings account.

For example, if the item costs £3.60 you will be charged £4 with 40p going into a savings account. If your bank has this scheme you can set it up online.

## **Envelopes**

Use a bank or app that allows you to automatically set aside money into 'envelopes' or 'pots'. This way money will automatically be taken out of your main account and put into a savings 'envelope' or an envelope for your essential bills. This will allow you to save money while barely noticing.

An example of this app is Monzo ([www.monzo.com](http://www.monzo.com))

## **Standing orders**

You could also set up your own savings accounts and set up standing orders to go out the day your money comes in. That way you won't spend it first!

## **Credit union savings**

An alternative to the usual banks and building societies on the high street are credit unions.

## **Credit union**

A credit union works by using lots of people's (members) savings to help loan people money. There is a credit union near you. They offer a number of different things including simple savings, loans and current accounts.

## Savings

Opening a savings account is designed to be very straightforward. You can save as little or as much as you want each week or month.

You can take out money as often as you need and once you have an account you can become a member of the credit union.

The easiest way to save money is to put some aside as soon as your wage or benefits come into your account. This way it removes the temptation to spend it!

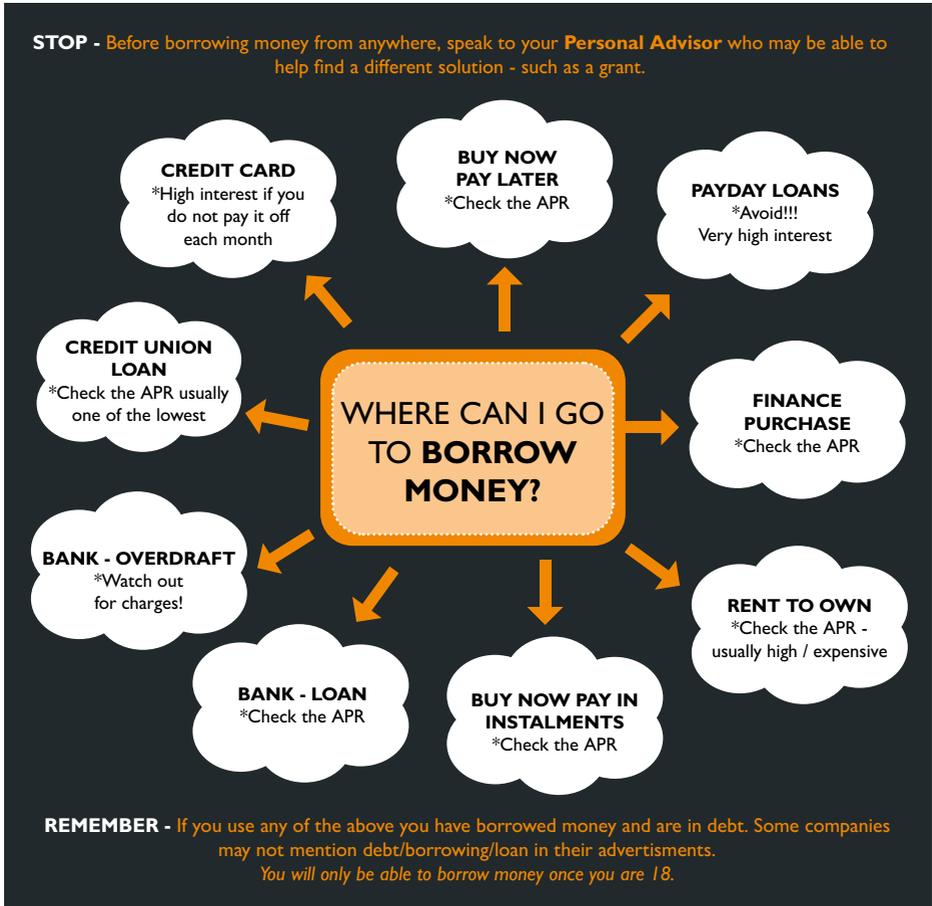
Putting money aside to save for that thing you really want is very rewarding. You will really feel like you have earned that item!



# BORROWING MONEY...

This section will tell you about the different ways you can borrow money. However, there is no guarantee you will be able to use some or all of the below.

Before borrowing money from anywhere, speak to your personal advisor who may be able to help find a different solution - such as a grant.



## Key things to remember

Whether you borrow £10 or £1,000 you have entered into a loan. You **MUST** keep up with your weekly/monthly payments.

If you don't keep up payments:

- **there will be extra charges**
- **the company may take you to court**
- **it will affect your chances of borrowing money in future**

Think...

- **Do you need what you are looking to buy or is it just something you want?**
- **Don't borrow money for something you want.**
- **If it is something you need, speak to your personal advisor first.**

No matter how desperate you are for money, **DO NOT** use a door step lender (loan shark). They are illegal lenders and will use harassment to get money back and may continue to say you owe money after you have paid it back.

### **Bank overdraft**

This is meant as a short term safety net in your current account. You may agree this with your bank in advance. You can either have an agreed overdraft or an un-agreed overdraft.

- **Agreed overdraft - you have agreed a set amount that you can go overdrawn**
- **Un-agreed overdraft - there is no agreement with the bank so you may be charged a lot every day you are in the overdraft**

Whichever type of overdraft you have there are likely to be daily charges. These are costly charges and can soon add up. A bank may choose to withdraw the overdraft at any time.

If you have borrowed money and are struggling to keep up with payments speak to the bank/credit union as soon as possible to see what options there are. You could also speak to your local citizens advice bureau for advice.



## **Bank loan**

This is a formal agreement with the bank where you borrow a set amount of money over an agreed amount of time.

The bank will clearly set out:

- **the monthly payments**
- **the total amount to be paid (including interest)**
- **how much you have borrowed**

## **Credit union loan**

A credit union offers savings and loans to its members. Usually you will not be able to borrow money unless you have a savings account with them. Interest rates are typically lower than many other forms of lending and you can usually make payments weekly or monthly.

## **Moneyline loan**

This is an alternative to payday loans. They offer loans of up to £1,500 and can be paid weekly, fortnightly or monthly.

They look at whether you can afford to pay it back rather than your credit score. For more information visit [www.moneyline-uk.com](http://www.moneyline-uk.com)

## **OTHER WAYS TO BORROW...**

There are other ways you can borrow money when you are shopping. They may not advertise themselves as loans or borrowing but this is what they are.

### Remember:

- **Interest is a charge the bank or organisation puts on top of what you have borrowed otherwise known as the cost of borrowing.**
- **Interest may be charged daily, weekly or monthly. Make sure you know which it is.**
- **Interest rates can be confusing. The key figure to use when comparing rates is the Annual Percentage Rate (APR).**

## Credit card

If you apply for a credit card it basically gives you the option to buy things now and pay for them later.

You will receive a statement each month showing how much you have spent and therefore how much you owe. When you receive the statement there are three repayment options:

- 1. Pay off the whole amount at the end of each month (no interest will be charged) – this is the best option.**
- 2. Pay the minimum monthly amount due. This will leave a significant balance and you will be charged interest on the balance.**
- 3. Pay an amount somewhere between the minimum required and total amount owed. This will leave a balance on which interest will be charged. For example, if you spend £200 in the month and pay £50, interest will be charged on the remaining £150 which is the balance.**

## Did you know?

If you don't like speaking to people on the phone or face to face you can get debt advice through WhatsApp. Contact the money advice service via WhatsApp on **07701 342744**.

## Rent to own

Some high street shops offer weekly payment plans for goods. These appear attractive as they seem to be low weekly payments, however, you need to be fully aware of the full costs in comparison to other types of borrowing.



## Finance

For some larger items such as a washing machine or cooker, some shops may offer 'finance' options. This is a method of paying for the item monthly but remember:

- **you will be charged interest for finance**
- **there is no guarantee you will be accepted for the loan**
- **make sure you understand the full costs of this form of borrowing**

## Buy now, pay later

Many high street shops now offer the option of buying items now and paying for them in a set timeframe, for example within 30 days or in three separate instalments.

These are typically interest free but you are still borrowing money and need to think if you can actually afford the items or not.

Not keeping up with payments will lead to extra charges and will affect your credit rating. Ask your personal advisor if you are able to get a grant for white goods such as a fridge and washing machine.

If money issues are affecting your mental health you can support and advice at [www.platform.org](http://www.platform.org)

## OTHER THINGS TO THINK ABOUT...

Here are some other things to think about and avoid when looking for more money.

### **'Easy money' schemes**

Be aware of scams where you are asked to hold money in your account for someone else. This may be advertised as a job on social media with titles such as - 'money transfer agents', 'local processors' or it may be advertised as an 'easy' loan.

When the money comes into your account you will be asked to transfer money to another person but allowed to keep a small amount for yourself.

This is a way for criminals to 'clean' money from criminal activity and you become a money mule and would be committing a criminal act which could lead to prison as well as not being able to hold a bank account or borrow money in future.

### **Loan sharks**

A loan shark could be someone you know from the neighbourhood. It may even be a 'friend'. They will spend time gaining your trust before loaning you money but they will not give any loan paperwork and may ask for something like your passport as 'security'.

They might use violence to get money back.

For advice on avoiding loan sharks visit:  
[www.moneyadviceservice.org.uk/loans](http://www.moneyadviceservice.org.uk/loans)

### **Lending money to friends/family**

While you may be keen to help your family think if you can really afford to lend them money. Will they actually pay you back or just keep stalling?

You have choices when you need money, so do your family/friends, therefore they shouldn't need to come to you. Speak to your personal advisor straight away so they can help you.

### **Help with debt**

If you are really struggling to find any money to pay for things, including food support is available.

### **Debt**

If you are struggling to cope with debt and have got behind on your payments speak with your Tenancy Support Officer (if you have one) or your personal advisor.

For more information visit [www.stepchange.org](http://www.stepchange.org) or  
[www.turn2us.org.uk](http://www.turn2us.org.uk)



## **Gambling**

Are you spending more than you want on gambling, struggling to find the money for bills or taking out loans to cover gambling debts?

For help and support visit [www.gamcare.org.uk](http://www.gamcare.org.uk)

## **Food**

If you have no money, even to buy food you may be able to get an emergency food parcel from a local foodbank. You have to obtain a voucher from social services, the citizens advice bureau or another agency and you will receive 3 days of food.

For more information contact your local foodbank or speak to your personal advisor.

## **Help with fuel debt**

If you are really struggling to find any money to pay for things like your gas/ electric you can contact your supplier to discuss a repayment plan and/or any cheaper tariff options available. Speak to your fuel supplier straight away if you are struggling to pay your bills. The sooner you contact them the more they can help.

If you claim certain benefits, you may be able to arrange for payments to be taken directly from your benefits.

If you have serious financial problems and have a big debt you may be able to apply to an energy trust fund or charitable trust.

## **Customer assistance fund**

This is a scheme offered by Welsh Water if you are struggling to keep up with your water bill.

This will make payments more manageable and give you realistic smaller instalments to be paid.

If you keep payments up for 6 months, your debt will be halved. If you keep payments up for a further 6 months, your debt will be cleared.

## Discretionary assistance fund

If you have experienced an emergency or are in serious financial problems you may be able to apply to the emergency assistance fund.

This could help you pay for food/energy bills. You would get **£50** and can apply up to 3 times in a year

For more information and to apply by calling **0800 859 5924**.



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## MONEY - KEY TERMS...

### **ATM**

More commonly known as a cash machine where you can get money out. Some are free but others will charge you to use them.

### **Advance**

Money you have been given before you should have received it. You will therefore get less on the actual pay date or have to pay some back over a set period of time.

### **AER (Annual Equivalent Rate)**

A term used to describe the interest rate that applies to any savings you have. Shown as a percentage.

### **APR (Annual Percentage Rate)**

A term used to describe the interest rate and other costs that applies to credit card payments and loans. Shown as a percentage.

### **Arrears**

An amount you have not paid on your rent or bills. If you owe this money you are 'in arrears'

### **Authorised overdraft**

An overdraft is a form of borrowing money that you have prearranged with your bank. Some banks may offer this for free but some will charge you for using it. You will need to check with them.

### **Balance**

The amount of money in your account or left to pay on a loan/credit card.

### **Bank**

An organisation offering a number of services linked to money - including day to day banking, savings, loans and mortgages.

### **Basic account**

A simple bank account with no overdraft.

### **Benefits**

Money you are able to claim from the Government. For example, if you don't have a job or you have children or a disability etc.

### **Bill**

A printed document saying how much you owe for a service.

## **Budget**

A plan to work out how much money you have coming in and going out which will then tell you how much you have left over each week/month.

## **Building society**

These usually offer the same services as a bank but the organisation has been set up differently.

## **Buy now pay later**

A form of borrowing offered in high street stores where you buy an item now and pay for it in instalments. This could be over the a few months OR you have the option to pay in 30 days. If you do not pay the amount owed it will affect your credit rating.

## **Child benefit**

Money you get from the Government to help with the cost of having a child.

## **Chip and PIN**

Using your card as a method of payment where you insert your card into a card machine and enter your PIN number.

## **Citizens Advice**

A place that offers advice on lots of topics including welfare benefits, debt, scams, energy saving and much more.

## **Contactless**

A way of paying where you touch the debit/credit card against the card machine in a shop instead of entering your PIN. You can do this for payments up to £45.

## **Contract**

A legal agreement you enter into where you have to pay money for goods or a service. Sometimes it is a one off payment, sometimes it is for a set period of time. This can also be a contract of employment stating your pay, holidays etc.

## **Costs**

All of your outgoings for the week or month - i.e. all the bills that you have to pay.



**Council tax**

A tax people need to pay towards public services such as rubbish collections, libraries, youth services, environmental health, police and emergency services. Care experienced young people do not have to pay this tax when living alone.

**Current account**

The name given to a bank account that lets you automatically pay in benefits/ salary and make payments such as bills through direct debits.

**Credit card**

A card you can use to buy items and then pay for them later. Interest will be charged because you are borrowing money.

**Credit score**

A method used by loan companies to decide how risky it would be to lend you money. This is based on how much debt you have and whether you keep up with payments. If you constantly borrow money or don't make payments on time it will affect your credit score and ability to get loans in future.

**Credit union**

A local organisation offering savings and small loans to its members.

**Debit card**

A card linked to your bank or building society account that can be used to take money out at a cash machine or pay for goods/services. You can only take money out if you have enough in your account to cover it.

**Debt**

This is money you owe to a bank or company.

**Deposit**

An upfront cost you may have to pay when taking on a tenancy, renting a house or buying an item through rent to buy or a credit agreement.

**Direct debits**

A way to pay your bills. The amount will come out of your account automatically.

**Easy access savings**

A way to save as much or as little as you want and withdraw money whenever you want.

## **Employed**

Having a paid job. If you have a paid job you are 'employed'.

## **Free trial**

You obtain a service for free for a set amount of time. At the end of this trial period you will be automatically subscribed unless you ask to unsubscribe. When you are automatically subscribed payment will be taken which might be for a month or a whole year depending on the service.

## **Goods**

Physical items that you buy such as toys, shoes, food etc.

## **Grant**

Money that you can apply for which, if you get it, you do not have to pay it back. When you apply the organisation giving you the grant (the funder) will usually tell you what you can spend the money on (you may have to prove this).

## **Housing cost element**

Money you can apply for through universal credit that you must pay towards your rent. This used to be called housing benefit.

## **Incentive**

An offer a company makes to try to get you to buy a product or service. Common offers include 'free Amazon voucher when you subscribe', 'First three months free', '20% off your first purchase'.

## **Income**

All the money you have coming in. This could be from work, benefits or grants.

## **Income tax**

This is a tax you have to pay when you earn over a certain amount when you work. Tax will start to be taken automatically from your pay when you earn over £12,500 per year (correct as at August 2020).

## **Interest**

The cost of borrowing money which is added onto the amount you owe. It is also the reward for saving money and is added to your savings, usually once a month or once a year.



## **Junior ISA**

A type of savings account. If you have been in care for a period of over 12 months a Junior ISA will have been opened for you by the Welsh Government or your Local Authority. You can get access to this money when you turn 18.

## **Loans**

Money that you have borrowed from a bank, credit union etc. You have to pay this back and will be charged interest.

## **Loan shark**

An individual that lends you money (illegally), charges excessive interest and uses threats to get more money out of you.

## **Mastercard**

A type of credit and debit card.

## **Minimum wage**

The minimum amount per hour a company must pay you to work for them. It is the law and is not optional. The amount from April 2020 is £6.45 per hour for 18-20 year olds; £8.20 for 21 to 24 year olds) and £8.72 for those aged 25 and over.

## **National Insurance (NI)**

A tax you pay when you are in a job. The amount is taken off your pay automatically when you earn a certain amount. The tax goes towards state benefits.

## **National living wage**

Another phrase for the minimum wage.

## **Notice savings**

A way to save where you have to tell your bank you want to withdraw money and wait for a set number of days to get it.

## **Overdraft**

A small safety net a bank may give you in case you run out of money. This is a form of borrowing money. A bank is likely to charge you to use your overdraft.

## **Personal tax allowance**

The amount you can earn from a job before you start paying income tax. The amount you can earn tax free is currently (2020/21) £12,500 per year.

## **PIN**

A four digit number you will be given to use your debit or credit card. You need this when taking money out and paying for things in shops. The number is yours and is not to be shared with anyone.

## **Prepaid card**

A card you can use to buy items in shops. It is like a debit card but you have to preload money onto the card before you shop. You can only spend as much money as is on the card.

## **Real living wage**

The amount the Living Wage Foundation thinks should be the hourly rate paid to people when they have a job. This amount is not law but some companies have chosen to pay staff this rate.

## **Regular savings**

A type of savings account where you put money into savings each month.

## **Rent**

The amount you have to pay each week or month to live in your home. You have to pay this amount or you risk being kicked out of your home.

## **Repayments**

The amount each week or month you have to pay back when you have borrowed money.

## **Savings**

Money you have put aside in a savings account for things you would like to buy in future.

## **Service**

A company or person that completes an action/activity for you such as a hairdresser or a plumber.

## **Statement**

A list of all payments in and out for a given time period (usually a month). An example is a bank statement.

## **TV Licence**

A fee that has to be paid if you live independently and watch any live TV or stream through BBC iPlayer.



**Unauthorised overdraft**

This is when you spend more than what you have in your account without previously arranging an overdraft. There will be charges for this that can increase quickly.

**Unemployed**

When you do not have a job.

**Universal Credit**

A benefit you receive from the Government if you don't have a job or have a low income. The amount you get will depend on how much you earn, if you have a disability, if you have any children etc.

**Utilities**

A term used to describe your water, gas and electricity supplies.

**VISA**

A type of debit or credit card

**Weekly payment retailer**

A company that offers you items - typically electrical items - for a weekly charge. This is a form of borrowing and is typically very expensive in comparison to taking a loan from somewhere else.

