



Setting yourself up for financial independence

 **BARCLAYS** | LifeSkills



Introduction

Since 2013, the Barclays LifeSkills programme has been raising the confidence, aspirations and motivations of millions of young people making the move from education into work. Whether it's preparing for an interview, understanding how payslips work, or simply building your self-esteem, LifeSkills has the tools to get you employability ready.

This workbook is designed for use with those who are supporting you in your journey to financial independence. Use this book to make notes and complete the worksheets. For answers to all worksheets see pages 53-61. For further LifeSkills content and links to external resources, see pages 62-63.

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Choosing and managing your bank accounts

Case studies

Ashraf, age 21



- Working full-time in a tech job, walking distance from home
- Likes to buy the latest tech products, which he doesn't always have the money upfront for
- Thinks about the future a lot as he wants to complete a computer animation course and needs to save to pay for it
- Doesn't tend to spend a lot on going out with friends or transport
- Would like a convenient way of keeping track of his money

Caroline, age 19



- Studying at college and has a part-time job
- Likes to shop and keep up with the latest designer trends, but is also generous and spends money on other people
- Tends not to think of the future, and believes 'life is for living' so doesn't save much each month
- Has a car to get to work, and gives lifts to her friends as most of them don't have a car

Choosing and managing your bank accounts

Case studies

Eddie, age 17



- Recently moved into his own place and keen to start taking more responsibility with his money
- Since he's been able to work, has been putting away small regular savings
- Just got a part-time job, and would like to save some of this money for when he goes to university next year

Natalia and Liam, age 25



- Living together as a couple and both working full time
- Natalia works over time at weekends so they have extra money but they like to spend money on going out together when they get a chance
- Liam isn't great at keeping track of his money and has had trouble paying off a credit card and overdraft in the past

Choosing and managing your bank accounts

Reading a bank statement

| Statement period | | Account Name | Account Number | Sort code | |
|-------------------|--------------|--------------------------------|----------------|-----------|----------------|
| 1 June to 30 June | | Miss L Jones | 68564539 | 00-00-00 | |
| Date | Payment Type | Details | Paid Out | Paid In | Balance |
| 1 June | | BALANCE BROUGHT FORWARD | | | £148.85 |
| 5 June | ATM | ATM Hackney | £20.00 | | £128.85 |
| 5 June | DR | Charge | £1.75 | | £127.10 |
| 11 June | POS | Super supermarket | £25.00 | | £102.10 |
| 12 June | DD | N.E. Gas and Heating Ltd. | £18.00 | | £84.10 |
| 17 June | CR | Wages | | £335.00 | £419.10 |
| 21 June | SO | DoorSteps loan payment | £95.20 | | £323.90 |
| 24 June | CHQ | 000478 | | £185.00 | £508.90 |

Choosing and managing your bank accounts

Match the definitions

| Term | Definition |
|------|---|
| | Shows when the money left or entered your account. This might be different to when you paid for something, as there can be a delay between the transaction and the money leaving/entering your account |
| | The value of each transaction |
| | How much you had at the start of this period of time |
| | A form of regular payment based on an agreement that someone (usually a company) will withdraw money from your bank account |
| | A running total of how much you've got in your account and how much you have at the end of the period of this statement |
| | Money left your account, generally a purchase from a retailer. Contactless payments are likely to be reflected with this code and with the symbol  |
| | The time period covered by the statement |
| | Money left your account |
| | A six-digit code that identifies your bank and the branch |
| | A payment you can set up either to pay another person or organisation as a one off or on a regular basis. You can set up, amend or cancel the payment as and when you like |
| | A cashpoint |
| | Your unique reference that identifies each customer |
| | Money went into your account |
| | Cheque |

For answers to this worksheet, see page 53

Budgeting and planning for the future

Budget planner

| Income | |
|-------------------------|------------|
| Form of income | Amount (£) |
| | |
| | |
| | |
| | |
| | |
| Total income (£) | |

| Expenditure | |
|------------------------------|----------|
| Item | Cost (£) |
| | |
| | |
| | |
| | |
| | |
| Total expenditure (£) | |

| | |
|--------------------|--|
| Balance (£) | |
| Savings (£) | |

Borrowing money

Laura's story

Read the following story from Laura:



"Currently I'm living alone. When I turned 18, I really struggled with bills, as I had never seen them before. I found it hard to afford basic things for my flat, like the heating bills and furniture. I ended up with a door step loan, which I'm still paying back today six years later, but I didn't know who else to turn to. I didn't realise I was actually entitled to funding."

Imagine you're a friend talking to Laura before the above scenario has happened.

What advice might you give to stop her from getting into this situation?

Make sure you keep hold of your answers and keep this in mind for later.

Borrowing money

Quiz

| Question | A | B | C | D |
|--|---|--|---|--|
| 1. How can you check how much money you have in your current account? | Via an ATM/cashpoint <input type="checkbox"/> | Visiting your bank/building society branch <input type="checkbox"/> | Logging on to online banking <input type="checkbox"/> | Via a mobile banking ap <input type="checkbox"/> |
| 2. What is the term used to describe your bank account if the balance drops below £0? | Under-balance <input type="checkbox"/> | Over-balance <input type="checkbox"/> | Overdraft <input type="checkbox"/> | Bank draft <input type="checkbox"/> |
| 3. Which of the following forms of borrowing do you think has the highest risk associated with it? | Loan shark <input type="checkbox"/> | Mortgage <input type="checkbox"/> | Credit card <input type="checkbox"/> | Payday loan <input type="checkbox"/> |
| 4. What does the term Annual Percentage Rate mean in relation to a credit card? | The minimum you must repay on the total amount you owe <input type="checkbox"/> | The percentage of your annual income that you must use to repay credit card debts <input type="checkbox"/> | The interest rate you pay for borrowing money <input type="checkbox"/> | The amount you can borrow over a year without paying interest <input type="checkbox"/> |
| 5. Why is your credit rating important? | Lenders will consider your rating when deciding on whether to lend you money <input type="checkbox"/> | It can impact on the interest rates lenders set for you <input type="checkbox"/> | Your rating can affect how likely banks and building societies are to give you a mortgage to buy a house <input type="checkbox"/> | It lasts for six years <input type="checkbox"/> |
| 6. Which of the following can have a negative impact on your credit rating? | Having a credit card <input type="checkbox"/> | Paying your mobile phone bill by Direct Debit <input type="checkbox"/> | Living at the same address for a long time <input type="checkbox"/> | Missed payments on a credit card <input type="checkbox"/> |
| 7. Which of these is the most important utility bill to prioritise if you are in financial difficulties (pay first)? | Council tax <input type="checkbox"/> | Broadband – telephone/ internet <input type="checkbox"/> | Water <input type="checkbox"/> | Digital TV package <input type="checkbox"/> |
| 8. How much is an annual colour TV licence to watch live or recorded TV? | Under £50 <input type="checkbox"/> | Between £50 and £100 <input type="checkbox"/> | Between £100 and £200 <input type="checkbox"/> | Over £200 <input type="checkbox"/> |
| 9. What's the lowest interest you can get on a credit card? | 0.5% <input type="checkbox"/> | 0% <input type="checkbox"/> | 1% <input type="checkbox"/> | 3% <input type="checkbox"/> |

For answers to this worksheet, see page 54

Borrowing money

Pros and cons of credit cards

| ✓ Advantages | ✗ Disadvantages |
|--------------|-----------------|
| | |

For answers to this worksheet, see page 55

Borrowing money

APR

APR

The Annual Percentage Rate (APR) is the cost of a loan (i.e. the original loan plus the interest and any set-up fees) over the course of one year. The higher the APR, the more expensive the cost of borrowing.



Example:

If you borrowed **£1,000** with 29.9% APR and paid this back over one year, you would be borrowing **£1,299** (£1,000 loan + £299 interest and set-up fees)

Borrowing money

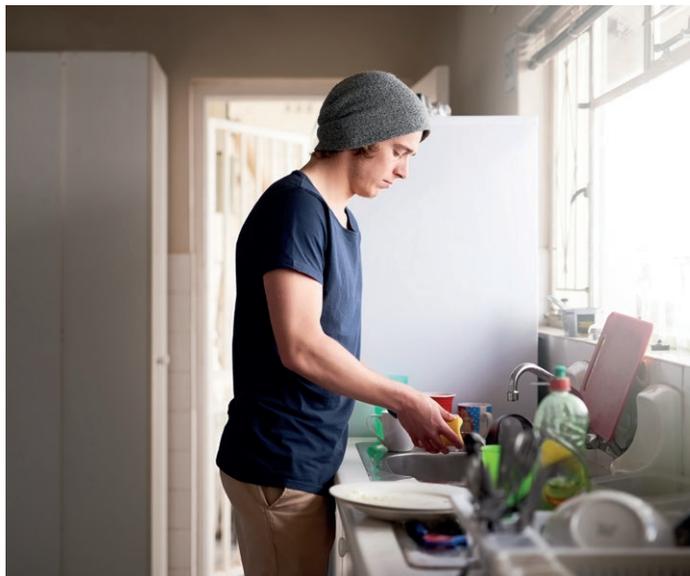
Laura's story continued



"I spoke to Roar, an organisation that trains and supports people who have experienced care. They gave me training to make sure I'm better aware of how to deal with these situations in the future. From training I now know that if I need to borrow money, I can do so in a variety of ways. Like a 0% credit card or a loan from the credit union which is very low. I also budget better now and live within my means."

Ways to save money

Tommy and Rae's stories



Tommy's story

"When I got given my own place, I didn't know how to set up a home and look after myself. Keeping my flat clean and on top of bills was a struggle. My landlord didn't understand and kicked me out. I ended up sofa surfing for around 2 years.

If I could advise my younger self I would say, 'ask for help!'"



Rae's story

"Since I moved into a place of my own, I've learnt some tips and tricks on how to save money on my grocery shopping, which has really helped me with my rent. I managed to save over a tenner in a week."

Ways to save money

Saving money by spending less

Consider different ways to save as part of everyday spending.

| Food savings tips | My food savings tips |
|---|--------------------------|
| Plan your food shopping for the week/month ahead and make sure you buy what you need for meals | |
| Consider choosing 'own brand' items when food shopping | |
| Cooking in bulk is a really cost-effective way of eating. If you live with other people take turns cooking for everyone | |
| Head to the supermarket just before it closes: you could find loads of discounted products (make sure to check the 'use by' date and eat in time) | |
| Know your weak spot – if it's coffee, buy a travel cup and make it at home; if it's a salad from a certain shop, buy ingredients to make your own. Both will be cheaper and you can save the difference | |
| Search for recipes online based on the ingredients you have in your fridge and cupboards | |
| Shopping savings tips | My shopping savings tips |
| Compare prices online before you buy rather than impulse buying in the shops – you can often find cheaper deals online | |
| Check out websites that give you cashback for shopping with them. Some banks also offer this service via current accounts. You'd be surprised how much it mounts up | |
| Consider second hand bargains – check out charity shops in your local area first to see if they have what you're after. Shopping and giving money to charity is a win for everyone. Or hunt for bargains online with sites like Gumtree or Etsy | |
| Consider making gifts, rather than buying them. It can save loads of money and be great fun in the process. Check out sites like Pinterest for inspiration | |
| Sell things you never use online, with sites like eBay, to help fund your next purchase. If they're matching amounts, you may even come out even | |

Ways to save money

Saving money by spending less

Consider different ways to save as part of everyday spending.

| Social savings tips | My money savings tips |
|---|-----------------------|
| Have a treat day. That café bought drink coffee or sandwich will taste even sweeter if you've eaten at home all week | |
| When out with friends, consider withdrawing a fixed amount of cash (that you have checked next to your budget) so you can track your spending easily | |
| A bit of research can save you a lot of pennies: check out local listings for fun, free events | |
| Throw a party for a few close friends rather than paying for an expensive night out. If you're working, set up a netball or running club with colleagues, for a healthier and cheaper way to socialise | |
| If you're dating, it doesn't have to be expensive to be fun and impressive. Think outside the 'dinner and cinema' box – have picnics in the park or make your own cinema and have a DVD night | |
| If you're eating out, see if you can find a voucher online | |
| Tech savings tips | My tech savings tips |
| Make sure to add up those monthly streaming subscriptions. Check how many you are signed up for. Challenge yourself to think about if you're making good enough use of all of them to justify the outgoing | |
| If you register for a free trial – remember to cancel it before the monthly payment kicks in if you aren't using it properly | |
| Keeping up with the latest mobile and other technology packages can be a huge chunk each month. Prioritise your savings goal over the latest upgrade (there will always be another one coming up) | |
| If you are in the market for a new laptop or tablet, think about buying a refurbished one instead of brand new. Just remember: manufacturer warranty only applies to the initial user, but you can pay for additional cover | |
| Consider buying the physical version of games rather than downloading from official services. This way you will be able to sell/swap the disc once you're done | |

Ways to save money

Saving money by spending less

Consider different ways to save as part of everyday spending.

| Travel savings tips | My travel savings tips |
|---|------------------------|
| If you travel a lot by train and bus then look into getting a 16-25 Railcard. Or check out Megabus, it might be cheaper to travel by bus than train | |
| Travelling around your city or local area will be cheaper – and healthier – by foot or on a bike | |
| Taxis can become expensive. But if there are a lot of you, it might work out cheaper than a train when divided between everyone | |
| If you're a new driver, insurance can be a huge cost. Use sites like Money Saving Expert for advice on the best insurance deals for new drivers and if you can, talk to your parents about how best to bring costs down | |
| Set up price alerts for cheap flights so you're booking at the cheapest time | |
| Be flexible in your approach to holidays – on sites like SkyScanner, use the 'everywhere' tab, and be guided by the cheaper options | |

Ways to save money

Saving scenarios



Scenario 1

I've been given a lump sum of money to help set up my flat. Some of it I've spent on a widescreen TV. There doesn't seem enough left to buy all the other things I need.



Scenario 2

On top of my rent and bills for the month, I had a few unexpected outgoings. This meant I didn't have enough money set aside to do my supermarket shop.

Ways to save money

Rae's story continued



“There’d been some sort of mix-up and I got into rent arrears. Having that £10 in savings meant I didn’t have to panic. I could pay the bus fare to get to a meeting where it was all sorted out. I could have got evicted otherwise. I’ll be saving up way more in the future.”

Paying rent, bills and other expenses

Can you define these different terms?

Renting



Buying



Shared ownership



For answers to this worksheet, see pages 56/57

Paying rent, bills and other expenses

Key tenant terms



Letting agent

Advertise available properties to potential tenants and manage properties for landlords. They often charge tenants fees for services as reference and credit checks, checking-in and checking-out inventories, and administration costs.



Tenancy agreement

A contract between a tenant and their landlord that gives both parties certain rights. For example, it gives the tenant the right to occupy the property and the landlord the right to receive rent for letting the property. The tenancy agreement will state when the tenant must pay rent e.g. on the 1st of every month, and that the landlord can withhold some or all of the deposit if the tenant(s) has caused any damage to the property, or not paid their rent.



Tenancy Deposit Scheme

Landlords should pay tenants' deposits into a government-authorized deposit protection scheme. These schemes ensure tenants will get their deposit back if they meet the terms of your tenancy agreement; don't damage the property; and pay the rent and bills.

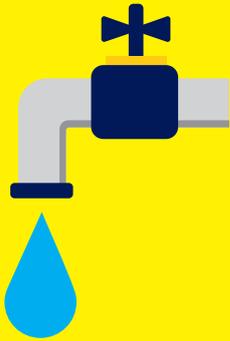


Social housing

Local councils and housing associations rent homes to people on low incomes or who need extra support. The local authority or housing association act as the landlord.

Paying rent, bills and other expenses

Regular costs – unavoidable or optional?



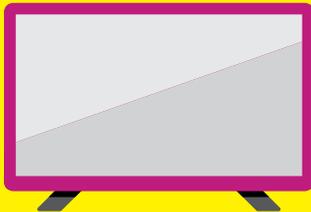
Utilities

These include gas and electricity (energy), and water. Costs vary depending on how much is used and which company provides the services and. Utility bills are usually paid for monthly.



TV licence

This is a legal requirement if you watch or record programmes as they're being shown on TV or live on an online TV service, and to download or watch programmes on iPlayer. A TV licence can be bought annually or paid for in monthly instalments.



TV packages

These offer additional channels, as well as on demand and catch-up services. Annual packages cost £80 - £800 depending on how many channels and services are included and are usually paid for monthly.



Broadband subscription

A connection to the internet which can be transmitted to different devices such as tablets and laptops through a WiFi (radio) signal, which is required for TV packages. Broadband is usually paid for monthly.



Other costs to consider:

- Mobile phone contract or pay-as-you-go
- Contents insurance
- Food and necessities
- Clothes
- Essential travel costs

Financial risks

Would you run the risk?

Renting a flat



Applying for a credit card



Going to university



Starting a new job



Financial risks

Online financial risks



Melissa's story (part 1)

"I don't have the internet at home and can't afford a data plan, so to get online, I go to use the free WiFi in a café down the road. The other day I realised I was behind on my rent, so as soon as payday came around I went to the café to log into my bank account, transfer the money to my landlord and send them an email. As it was my lunch break, the café was really busy with lots of people logging onto the WiFi with their mobile phones and laptops."



Low risk



Medium risk



High risk

Financial risks

Online financial risks

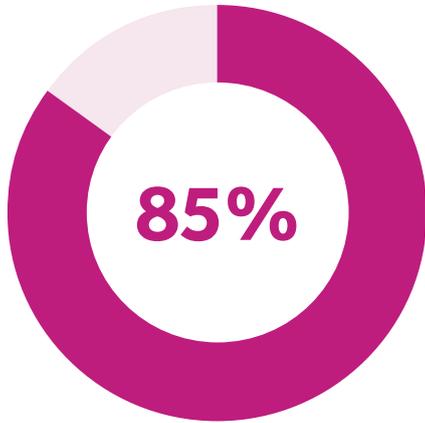


Melissa's story (part 2)

"A few days later, I went to pay for my supermarket shop on my debit card but it kept saying I had insufficient funds. I thought this was weird as I knew I had enough money left over from payday. After speaking to my bank, it turned out someone had hacked my account and withdrawn a load of money. That's when it dawned on me that they must have got hold of my personal information when I logged onto the café's public WiFi. I got all my money back but it took a while and I had to take out a loan just to tide me over in the meantime."

Financial fraud, scams and identity theft

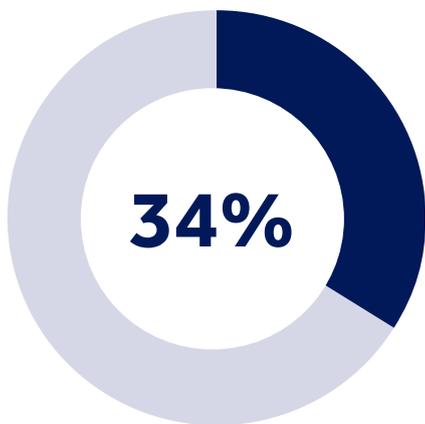
2021 ID theft stats



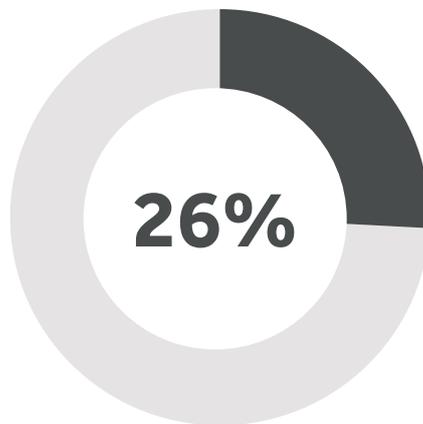
of identity fraud was
committed online



of all fraud is
identity theft



increase in identity theft
among those under 21
since 2018



increase in the number of
'money mules' under the
age of 21

Financial fraud, scams and identity theft

Fraud terms

Vishing

A phone call from a fraudster posing as an employee of a reputable company or organisation, who will come up with a plausible story to get you to share your financial/personal information. They can fake their telephone number and do some basic research online to get unique details about you to sound more convincing.

Social engineering

Fraudsters manipulate or trick people into exposing their personal or financial information, through fake emails, phone calls, texts, or posts on social media. These can be very complex attacks, some combining various sources of information about you to appear more convincing.

Phishing and smishing

Fraudsters send emails or text messages that appear to be from a genuine company. They typically ask you to make urgent contact via a telephone number within the text or via a website address, due to an unauthorised payment.

Online scams

Scammers advertise goods or services that don't exist or aren't theirs to sell. They convince you to send the payment directly to their bank but the goods never arrive, or are not as advertised.

Money Mules

A "witting" mule assists the crime by providing the bank account where the proceeds of any fraud or scams can be paid to. Fraudsters and scammers can open an account themselves using fake IDs, or can convince someone who already has a bank account to receive money on their behalf. By supplying the information, you also risk getting into trouble as you become complicit in the crime.

Financial fraud, scams and identity theft

Financial fraud, scams and identity theft in action



Case study 1

Priya had been looking for a job to earn some money, when she was approached outside her college by someone who offered her a way of making easy cash. They asked Priya to share her bank details so that money could be transferred into her account for a short period of time. She agreed when they said that whilst £500 would be transferred in, she would only have to transfer £450 and she could keep the rest.



Case study 2

Jake was keen to get tickets for a football match which had sold out. He found some advertised online cheaper than the original price, and paid for them using his debit card. Jake was sent a confirmation email straight away to say that the tickets would arrive within 10 days. Unfortunately, the tickets never arrived and when he made calls to the company they were ignored.



Case study 3

Tom got a text message from his mobile phone contract provider to say that his account had been used by someone else to download lots of apps. To get a refund, Tom was asked to click on a link and enter his bank details and the three-digital security code on his debit card into a form online; he was told that this refund would appear in his account within 5-10 days. The following day, when Tom checked his bank balance using his mobile banking app, he saw that a large sum of money had been withdrawn from his account.

Financial fraud, scams and identity theft

Summary

Top tips for staying digitally safe:

- 1.** Check how much personal information is public on your social media accounts. Fraudsters can use information such as your birthday, home town, pet names, holiday dates, or job title to steal your identity and apply for bank accounts or buy products in your name
- 2.** Never share your PIN, bank details or passwords with anyone who approaches you or contacts you through text, email, phone or in person, and don't write them down
- 3.** Phone organisations directly from the number listed on their website to verify who is contacting you
- 4.** Password protect your devices using random words and include symbols, numbers and capitals and regularly change them
- 5.** Limit your online activity when using open public WiFi connections, including logging on to your email, online banking and online shopping
- 6.** Check the web address begins with 'https' and that there's an unbroken padlock symbol in the browser address bar, especially when online shopping. You can hover over links without clicking to see the destination
- 7.** Install anti-virus software on your laptop and any other personal devices and keep it up to date

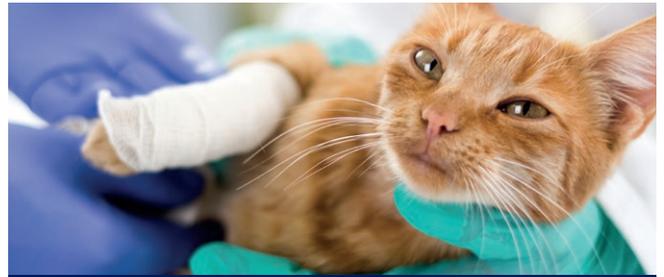
Introducing insurance

Insuring against risk

There are insurance policies available to cover many different types of situation, but there are some things you cannot insure against. Is it always worth buying insurance to protect yourself against risk?



House being burgled



Cat needing an operation



Spilling coffee on the carpet



House damage e.g. floods



Car breaking down



Injuries at work



What types of insurance can you think of?

Introducing insurance

Insure or save?

Before you pay for insurance you must consider if it will protect you from the right risks and if the premium (the cost) will provide you with value for money.

Premium

The amount you pay to the insurance provider annually or monthly for your cover

Claim

Requesting that your insurance provider compensate you for loss, damage or injury that is covered by the premium that you have paid

Excess

A contribution you make towards your claim above your premium – a smaller premium usually means a larger excess

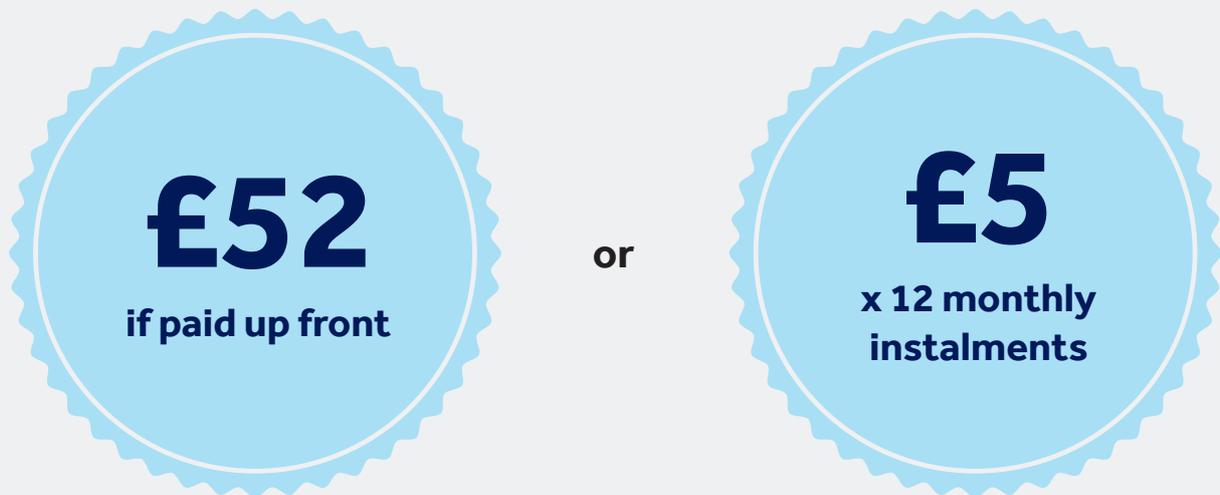
Introducing insurance

Melissa's insurance policy

Melissa's mobile phone was bought on a monthly contract for £28.00 per month. The contract runs for 12 months.

Melissa's policy

The annual insurance premium is:



- Paying by monthly installments will sometimes end up costing more than paying up front, and some insurers will require the policy holder to enter a credit agreement
- There may be a cancellation charge if canceling any annual policy mid term, but this should be disclosed in the sales process

Policy details:

- Repair of broken or damaged mobile phone within 10-14 days of making a claim
- Replacing lost or stolen mobile phone with one of the same value at the time of the theft or loss. Replacement to arrive in 7-10 days
- £100 excess (payable when a claim is made)

Credit scores and debt

What's in a credit score?

Tick the boxes of the elements that are used to make up a credit score

| Description | Yes | No |
|--|-----|----|
| Credit reference agency files – information held by ClearScore, Experian for example | | |
| Paid parking fines | | |
| Council tax arrears | | |
| Your application form to the lender | | |
| Medical history | | |
| Criminal records | | |
| Savings accounts | | |
| County Court Judgements (CCJs) | | |
| Past dealings with the lender to which you are applying | | |
| Account data with other lenders | | |

For answers to this worksheet, see page 58

Credit scores and debt

Why can't I get credit?

Laura has applied for her first credit card, but she has received a rejection. She doesn't know why her application has been rejected; she has always been very careful with her money and doesn't think there should be anything bad on her credit file. She orders her credit file and checks through it.

| Credit Agreements | |
|-------------------|--|
| Good | You have 1 active account on file at your current address. Credit grantors prefer that you have at least one or two accounts as part of your credit profile at your current address. Active accounts are preferred to settled accounts |
| | You have no active accounts and 1 settled account on file at your previous address(es). Settled accounts at your previous address can improve your chances of getting credit if you have a limited credit profile |
| | Your oldest account is 5 or more years old. Credit grantors prefer to see accounts opened at least 3 years |
| | You have 1 derogatory item in your payment history from a missed payment |
| | All payments on your accounts are up to date |
| | Credit reference agencies are receiving periodic updates from your credit grantor(s) that reflect you have made payments on time in the past |
| Poor | You have a default on your account which shows you have not paid a previous debt |
| Electoral Roll | |
| | You are not presently shown as registered on the electoral roll. Credit grantors generally prefer at least 3 or 4 years of confirmed residency as this indicates stability |
| Searches | |
| | You have had 5 search(es) for credit in the last six months. Credit grantors view more than one or two searches within six months unfavourably |
| Court Information | |
| | You have no information in your credit report that indicates a Court Judgment or other public record information such as a bankruptcy in your name. Credit grantors view this favourably |

For answers to this worksheet, see page 59

Credit scores and debt

Getting help with financial difficulty

| Action | Yes | No |
|---|-----|----|
| Talk to a trusted friend or family member | | |
| Contact the lender and explain your financial situation | | |
| Contact your personal adviser | | |
| Don't borrow any more money | | |
| Borrow from a friend or family member to help you make repayments | | |
| Apply for a credit card to help you make the repayments | | |
| Seek free, independent debt advice | | |
| Try to forget about it | | |
| Arrange a repayment extension | | |

Credit scores and debt

Dealing with debt – scenarios



Scenario 1

I recently bought a new phone on a 24 month contract. At the time I thought it was a good idea but now I can't pay the monthly bill. They've cut off the phone and because I still haven't got the money to pay they will cancel the contract.



Scenario 2

I've been paying my rent for years, no problem, but then I got made redundant. I'm looking for another job but in the meantime I've no income so I can't make the monthly repayments.



Scenario 3

I took out a 12 month loan with my bank for a new laptop but I can't manage the repayments anymore. Do I contact the bank or the store?



Scenario 4

I got a pay rise at work last month. I was looking forward to the extra cash but it turns out I'll have to start paying my student loan back so I won't be any better off. Do you think I could start the repayments next year instead?

Credit scores and debt

Dealing with debt – scenarios



Scenario 5

I opened a current account with an £800 overdraft when I was working. Now I'm out of work and I've exceeded my overdraft. I am being charged very high fees which I cannot pay.



Scenario 6

I needed £100 to tide me over until I got paid so I got a payday loan. I was sure I'd be able to pay it back but then my car broke down and it cost a lot to get it fixed. So I had to roll the loan over to the next month and I've been charged loads of interest so I've even less chance of paying it back now.



Scenario 7

I borrowed £200 from a man who came to my house and offered me a loan. I only had to pay back £5 a week, but then I missed a payment and now I owe him an extra £2 interest. I can't afford the payments and he keeps coming around and putting pressure on me to pay up.



Scenario 8

My brother lent me £20 when I really needed it. I've paid £10 back but I'm really struggling to find the rest. I'm avoiding him so he can't ask for it back.

Credit scores and debt

Dealing with debt – possible actions

| Action | Yes | No |
|---|-----|----|
| Talk to the credit card provider | | |
| Phone the store card company and explain the situation | | |
| Contact the shop and explain your situation | | |
| Contact your phone provider and tell them your difficulty | | |
| Tell the bank you're having difficulties | | |
| Don't spend any more money on the card | | |
| Tell the police | | |
| Contact the payday lender | | |
| Tell someone and seek help | | |
| Get free, independent debt advice | | |
| Search the internet | | |
| Try to forget about it | | |
| Arrange a repayment extension | | |
| Apply for credit card | | |

Self-employment

Comparing types of employment

| Employed by someone else | Self-employed | Freelance |
|---|--|--|
| Receive holiday and sick pay | More likely to have flexible working hours | More likely to have flexible working hours |
| Employer is required to contribute to your pension | Responsible for calculating your own tax and National insurance | Could work for multiple organisations and different projects at once |
| Receive a regular income as an annual salary | Able to set your own salary based on your profits | Able to agree your own daily or hourly rate |
| Opportunities for bonuses or salary increases | Able to claim tax relief if you set up a personal pension | Able to claim tax relief if you set up a personal pension |
| Not responsible for calculating your own tax and National Insurance – but you should always check your payslips | Need an accountant and/or financial advisor to support your finances | Need an accountant and/or financial advisor to support your finances |

Self-employment

Working for yourself – scenario

Lorna



Lorna is self-employed. She runs a business selling shop display stands. Her work is mostly done at the clients' premises so she has to travel but she likes the flexibility of working on a range of different projects.

Lorna has been very careful to keep her accounts as she goes along, recording all expenditure and income on a spreadsheet. She's coming to the end of her first year of self-employment and wants to work out roughly how much tax she will need to pay on what she's earned over the year.

Lorna is registered as self-employed with the Tax Office (HMRC) so she will need to complete a self-assessment tax return each year. She will also need to pay National Insurance which, for self-employment, is charged at 9% on any profits over £8,632 (these are called NI Class 4 contributions).

Self-employment

National Insurance contributions



If you are self-employed you will still need to make National Insurance contributions.

Check your government's website for up to date tax codes and rates.

Example

If National Insurance contributions are set at 9% of any earnings over £8,632, then for a taxable income of **£20,000**:

$$\text{£20,000} - \text{£8,632} = \text{£11,368}$$

NI paid on £11,368 @ 9% = £1,023.12
(paid with your tax at the end of your financial year)

Taxable income

If you are self-employed your taxable income is any income you have received in one tax year minus your personal tax allowance. Check online to find the current year's taxable allowance.

Example

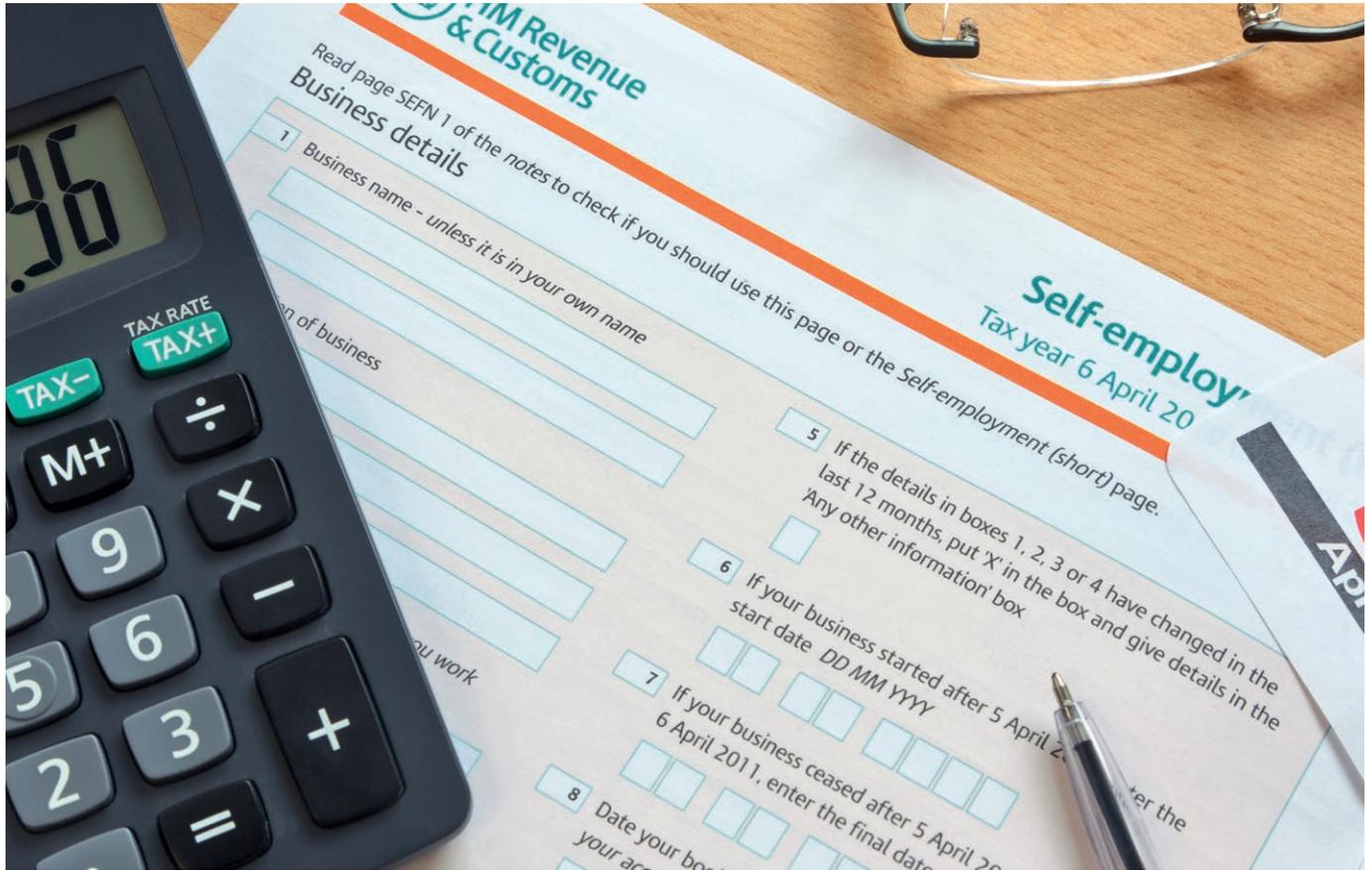
If your personal tax allowance is £12,570, and you have an income of £20,000 and have £2,500 of expenses:

$$\text{Taxable income is } \text{£20,000} - \text{£2,500} - \text{£12,500} = \text{£5,000}$$

$$\text{Tax payable @ 20\%} = \text{£986}$$

Self-employment

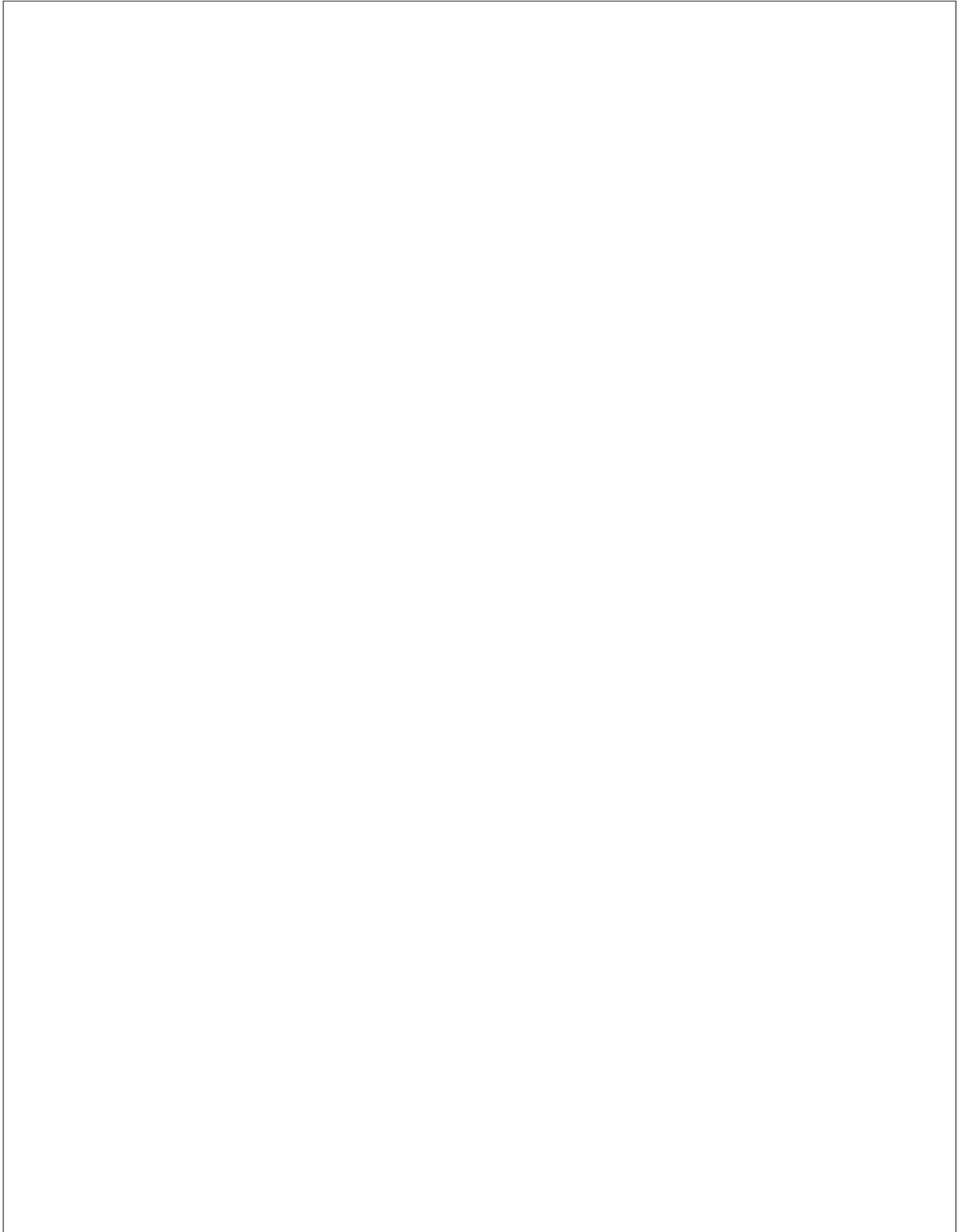
Top tips for self-employment



- Record all income and expenditure carefully as you go along
- Keep all receipts so you have a record of expenditure
- Put money aside every month in a separate account to cover tax and National Insurance
- Plan your budget based on average monthly income
- Put money aside to cover quieter months and holiday periods
- Declare your self-employment to the tax office and complete tax returns on time

Salaries and payslips

Where does money come from?



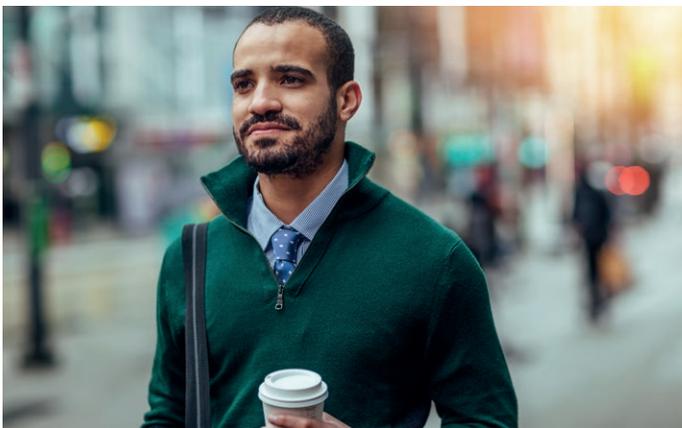
Salaries and payslips

Definitions



Minimum wage

The least amount per hour that a worker must be paid according to the law.



Living wage

The living wage is calculated according to the basic cost of living in the UK.

Employers choose to pay the living wage on a voluntary basis.

The London living wage is set higher to reflect the higher cost of living in London.

| Employee No | Employee | | Pay Date | Tax Code | National Insurance Number | |
|--|-------------------------------|------|------------|---------------------------------|---------------------------|----------------|
| 01236 | Ms K Ferris | | 30/06/2021 | NT | JC 76** **C | |
| Payments | Units | Rate | Amount | Deductions | | Amount |
| Basic Gross Pay | 40 | 10 | £400.00 | PAYE | £0.00 | |
| Overtime | 10 | 15 | £150.00 | NIC | £0.00 | |
| | | | | Pension | £20.00 | |
| | | | | Student Loan | £0.00 | |
| Kamilla Ferris 1 My Road My Street My Town MT1 1AA | Totals for this period | | | Totals Year to Date (TD) | | |
| | Total gross pay | | £550.00 | PAYE | £0.00 | |
| | | | | NIC | £0.00 | |
| | | | | Pension | £60.00 | |
| | | | | Student Loan | £0.00 | |
| ABC Company | | | | Total Net Pay | | £530.00 |

Salaries and payslips

Payslip definitions (continued)

| Term | Definition |
|---------------------------------------|--|
| Basic | This is your pay when you work your normal agreed hours |
| Date | This is the last day of the period for which you're being paid, usually a week or month |
| Deductions | Amounts that are taken from the gross pay, such as income tax, National Insurance contributions, pension, student loan repayments |
| Employee number | Unique reference number at your place of work, in case employees have similar names |
| Gross pay | Your total pay before tax and other deductions |
| National Insurance (NI) number | Unique reference for paying NI or for receiving benefits or the state pension. It is important to keep a note of your NI number somewhere safe as each new employer you work for will need it |
| Net pay | The amount of pay you take home after deductions |
| NIC | National Insurance contributions are paid by everyone over 16 earning over a certain amount. This is used to fund the state pension and benefits |
| NT | 'No tax' appears when no tax is being deducted |
| Overtime | Extra hours you work and are paid for above your normal working hours |
| PAYE | 'Pay As You Earn' spreads your tax payments across each week or month rather than paying it in one lump sum, and is based on an estimate of your yearly salary |
| Pension | A long-term savings plan specifically to provide financial support in retirement. Both you and your employer may contribute to a pension fund throughout your working life |
| Rate | Either your hourly or monthly salary, depending on whether you are paid hourly or on an annual salary |
| Student loan | A borrowed amount of money to cover university tuition fees whilst studying. The loan doesn't need to be paid back until after the course has finished, and only when you are earning above a certain income |
| Tax code | This tells your employer how much tax to deduct from you. If you multiply the number in your tax code by ten, you will get the total amount of income you can earn in a year before paying tax |
| TD | 'To date': shows a running total of payments from previous payslips within the current financial year, which starts on 6 April in the UK |

Salaries and payslips

What is a tax code?



A tax code is usually made up of several numbers and a letter, for example: **1000L**

- Multiply the number by ten to find the total amount of income you can earn in a year before paying tax:
 $1000 \times 10 = \text{£}10,000$
- This is your personal tax allowance. It is set by the government and may change from year to year

e.g. for salary of **£20,000** per year:

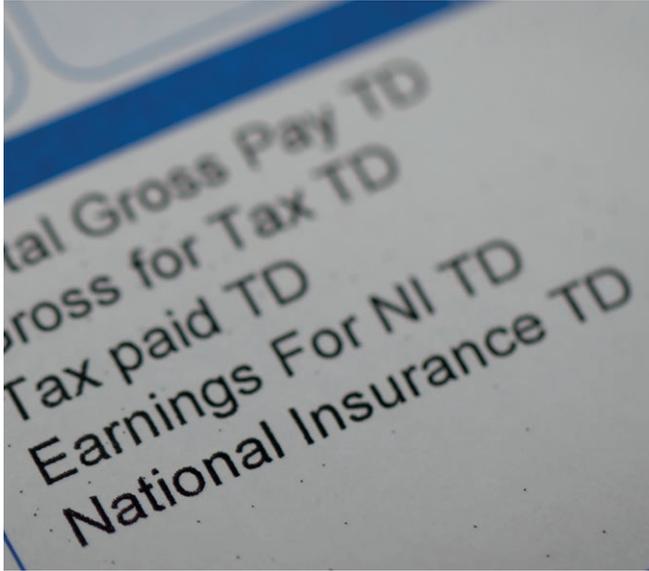
£20,000 - £10,000 = £10,000

Tax paid on £10,000 @ 20% = £2,000

(or £166.66 each month deducted from your pay)

Salaries and payslips

What is National Insurance (NI)?



The UK's system of compulsory payments by employees and employers to provide help from the state for people who are sick, unemployed or retired.

Employees pay 12% on any earnings between £719 and £4,167 a month (2019/20)

e.g. for a salary of **£1,000** per month:

NI paid on £1000 @ 12% = £120
(£120 per month deducted from your pay)

Salaries and payslips

Sonya's payslip



Sonya is 21 and is a trainee engineering manager at a construction company. She is paid monthly and earns £20,400 per year. Because Sonya is over 16 she pays tax (PAYE) and National Insurance Contributions. She has a student loan but doesn't earn enough yet to make repayments.

Calculate Sonya's PAYE:

1. An annual personal tax allowance is 10x the number given in the tax code. What is Sonya's annual personal tax allowance?
2. Work out Sonya's taxable pay – the amount of her salary that Sonya will have to pay tax on
3. Calculate how much tax Sonya will pay over the year (the tax rate is 20% of taxable pay)
4. Work out how much tax Sonya will pay each month

Calculate Sonya's NICs:

5. National Insurance Contributions (NICs) are paid on annual earnings over £8,164. Work out how much of her annual salary Sonya will pay NICs on
6. Calculate the NICs Sonya needs to pay on this amount. NICs are paid at 12% (on annual earnings over £8,164)
7. Work out Sonya's monthly NICs

| Employee No | Employee | Pay Date | Tax Code | National Insurance Number | |
|---|-------------------------------|------------|----------------------|----------------------------|----------|
| 0567 | S Fletcher | 30/06/2021 | 1257L | AB 123456 C | |
| Payments | Units | Rate | Amount | Deductions | Amount |
| Basic | 1 | £ _____ | £ _____ | PAYE | £ _____ |
| | | | | NIC | £ _____ |
| | | | | Pension | £0.00 |
| | | | | Student Loan | £0.00 |
| Ms S Fletcher 4 My Road My Street My Town MT1 1BD | Totals for this period | | | Totals Year to Date | |
| | Total gross pay | | £ _____ | Total gross pay TD | £5100.00 |
| | | | | Tax paid TD | £391.50 |
| | | | | NIC TD | £324.96 |
| | | | Pension TD | £0.00 | |
| ABC Company Name | | | Total Net Pay | £ _____ | |

For answers to this worksheet, see page 60

Salaries and payslips

True or false?

True
False

You need your
National Insurance
number when you start
a new job

You pay income
tax on every penny
you earn

True
False

You start paying
back your university
student loan as soon
as you get a job

True
False

You can never
query your tax code
with HMRC

True
False

True
False

You must pay into
a pension scheme as
soon as you turn 18

True
False

There's no need to
check your payslip

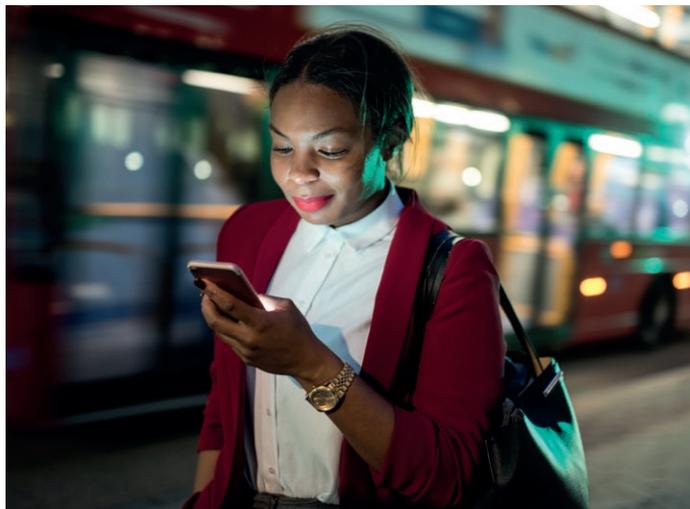
True
False

Job satisfaction
is more important
than salary

For answers to this worksheet, see page 61

University finances

Kamilla's story



"Before I left care I went back to college to get some NVQs. This helped in getting me into uni. I graduated this year and got my first job a few weeks ago. So far so good – I'm loving it."

University finances

Student loans



Loans and grants are available to help you cover the cost of university, including tuition fee loans and maintenance loans to help with living costs. If you've been in local authority care, you might be able to apply for a one-off bursary of £2,000 from your local authority, and a bursary from your university or college*. To find out more about what you're eligible for, follow the relevant link:

England

[gov.uk/student-finance](https://www.gov.uk/student-finance)

Wales

[studentfinancewales.co.uk](https://www.studentfinancewales.co.uk)

Scotland

[saas.gov.uk](https://www.saas.gov.uk)

Northern Ireland

[studentfinancenir.co.uk](https://www.studentfinancenir.co.uk)

*Correct as of May 2022 [gov.uk/extra-money-pay-university](https://www.gov.uk/extra-money-pay-university)

University finances

Student loan repayments

Tuition fee loans don't need to be repaid until after the course has finished, and only when you are earning above a certain income. As of April 2019, this is at a rate of 9% on any income over £494 per week or £2,143 per month in England (£25,716 per year). Check the relevant student finance website to stay up to date with the pay back rate. Use the 9% rate information to calculate the student loan repayments for Kalinder and Jacob.



Example 1

Jacob is paid weekly and his income changes each week. This week his income was £600, which is over the weekly threshold of £494.

His income was £106 over the threshold (£600 minus £494). He will pay back £9.54 (9% of £106) this week.



Example 2

Kalinder's annual income is £28,800 and she is paid a regular monthly wage. This means that each month her income is £2,400 (£28,800 divided by 12). This is over the monthly threshold of £2,143.

Her income is £257 over the threshold (£2,400 minus £2,143). She will pay back £23.13 (9% of £257) each month.

Source: [gov.uk/repaying-your-student-loan](https://www.gov.uk/repaying-your-student-loan)

University finances

Kamilla's story continued



"It's difficult when you start working. I was pretty tired at first and I found it hard to get the work-life balance right, but I'm getting the hang of it now. Apart from that, everything is brilliant. It's great to have a routine and a reason to get up. I finally have money and can pay my bills - so much less to worry about."

Answers: Choosing and managing your bank accounts

Match the definitions

| Term | Definition |
|---|---|
| Dates | Shows when the money left or entered your account. This might be different to when you paid for something, as there can be a delay between the transaction and the money leaving/entering your account |
| Paid in/paid out (or credits/debits) | The value of each transaction |
| Balance brought forward | How much you had at the start of this period of time |
| DD (Direct Debit) | A form of regular payment based on an agreement that someone (usually a company) will withdraw money from your bank account |
| Balance | A running total of how much you've got in your account and how much you have at the end of the period of this statement |
| POS (Point of sale) | Money left your account, generally a purchase from a retailer. Contactless payments are likely to be reflected with this code and with the symbol  |
| Statement period | The time period covered by the statement |
| DR (Debit) | Money left your account |
| Sort code | A six-digit code that identifies your bank and the branch |
| SO (Standing Order) | A payment you can set up either to pay another person or organisation as a one off or on a regular basis. You can set up, amend or cancel the payment as and when you like |
| ATM (Automated Teller Machine) | A cashpoint |
| Account number | Your unique reference that identifies each customer |
| CR (Credit) | Money went into your account |
| CHQ | Cheque |

Answers: Borrowing money

Quiz

| Question | A | B | C | D |
|--|--|--|--|--|
| 1. How can you check how much money you have in your current account? | Via an ATM/cashpoint <input checked="" type="checkbox"/> | Visiting your bank/building society branch <input checked="" type="checkbox"/> | Logging on to online banking <input checked="" type="checkbox"/> | Via a mobile banking app <input checked="" type="checkbox"/> |
| 2. What is the term used to describe your bank account if the balance drops below £0? | Under-balance <input type="checkbox"/> | Over-balance <input type="checkbox"/> | Overdraft <input checked="" type="checkbox"/> | Bank draft <input type="checkbox"/> |
| 3. Which of the following forms of borrowing do you think has the highest risk associated with it? | Loan shark <input checked="" type="checkbox"/> | Mortgage <input type="checkbox"/> | Credit card <input type="checkbox"/> | Payday loan <input type="checkbox"/> |
| 4. What does the term Annual Percentage Rate mean in relation to a credit card? | The minimum you must repay on the total amount you owe <input type="checkbox"/> | The percentage of your annual income that you must use to repay credit card debts <input type="checkbox"/> | The interest rate you pay for borrowing money <input checked="" type="checkbox"/> | The amount you can borrow over a year without paying interest <input type="checkbox"/> |
| 5. Why is your credit rating important? | Lenders will consider your rating when deciding on whether to lend you money <input checked="" type="checkbox"/> | It can impact on the interest rates lenders set for you <input checked="" type="checkbox"/> | Your rating can affect how likely banks and building societies are to give you a mortgage to buy a house <input checked="" type="checkbox"/> | It lasts for six years <input checked="" type="checkbox"/> |
| 6. Which of the following can have a negative impact on your credit rating? | Having a credit card <input type="checkbox"/> | Paying your mobile phone bill by Direct Debit <input type="checkbox"/> | Living at the same address for a long time <input type="checkbox"/> | Missed payments on a credit card <input checked="" type="checkbox"/> |
| 7. Which of these is the most important utility bill to prioritise if you are in financial difficulties (pay first)? | Council tax <input checked="" type="checkbox"/> | Broadband – telephone/ internet <input type="checkbox"/> | Water <input type="checkbox"/> | Digital TV package <input type="checkbox"/> |
| 8. How much is an annual colour TV licence to watch live or recorded TV? | Under £50 <input type="checkbox"/> | Between £50 and £100 <input type="checkbox"/> | Between £100 and £200 <input checked="" type="checkbox"/> | Over £200 <input type="checkbox"/> |
| 9. What's the lowest interest you can get on a credit card? | 0.5% <input type="checkbox"/> | 0% <input checked="" type="checkbox"/> | 1% <input type="checkbox"/> | 3% <input type="checkbox"/> |

Answers: Borrowing money

Pros and cons of credit cards

| ✓ Advantages | ✗ Disadvantages |
|---|--|
| <p>✓ Can give you up to 51 days of free credit which can help with budgeting</p> | <p>✗ Very high interest rates if you don't pay off the balance in full each month</p> |
| <p>✓ There are some good 'points' and 'cashback' offers to take advantage of</p> | <p>✗ You need to have a regular income to be approved at application</p> |
| <p>✓ Interest-free 'balance transfer' offers over a period of time can be helpful provided you pay the right amount off each month to ensure the debt is clear by the end of the interest-free period</p> | <p>✗ It's easy to get 'carried away' by having ready access to money that you may not be able to afford to repay</p> |

Answers: Paying rent, bills and other expenses

Definitions



Renting

Paying for the use of a house or flat. The owner of the property is known as the landlord. Anyone renting a property is known as a tenant. Tenants need an initial deposit and to pay rent each month. The person who manages the agreement and contract between the landlord and tenant is a letting agent.



Buying

Purchasing a property. Most people who want to 'own' their own home need a deposit and to take out a loan (debt) known as a mortgage. The mortgage is usually paid back in monthly instalments.



Shared ownership

An arrangement that allows someone to buy a portion of the property and pay rent on the remainder. This is often through a housing association, independent organisations that manage affordable homes for people on low incomes or with particular needs.

Answers: Paying rent, bills and other expenses

What's the difference?

Renting



Tenants pay a deposit before they move in, usually equivalent to one month's rent, which will be returned to them when they leave

Rent is usually payable monthly. If a number of tenants are living in the same property (a house or flat share) the tenants will usually share the deposit and rent. Rent will vary according to the size, location and condition of the property

Costs of utility bills might be included within the rent paid, otherwise these will be paid separately monthly or quarterly (e.g. internet, electricity, gas, council tax)

You'll also need to consider contents insurance

Buying



Buyers need a deposit which is usually a minimum of 5% of the purchase price

Mortgage repayments are paid monthly and will include interest. The amount of interest you pay will depend on the mortgage agreement

Utility bills will be paid separately to the mortgage payments

You'll also need to consider Stamp Duty, legal fees, valuation and survey fees, and buildings and contents insurance

Answers: Credit scores and debt

What's in a credit score?

Tick the boxes of the elements that are used to make up a credit score

| Description | Yes | No |
|--|-----|----|
| Credit reference agency files – information held by ClearScore, Experian for example | ✓ | |
| Paid parking fines | | ✓ |
| Council tax arrears | | ✓ |
| Your application form to the lender | ✓ | |
| Medical history | | ✓ |
| Criminal records | | ✓ |
| Savings accounts | | ✓ |
| County Court Judgements (CCJs) | ✓ | |
| Past dealings with the lender to which you are applying | ✓ | |
| Account data with other lenders | ✓ | |

Answers: Credit scores and debt

Why can't I get credit?

| Credit Agreements | |
|-------------------|--|
| Good | You have 1 active account on file at your current address. Credit grantors prefer that you have at least one or two accounts as part of your credit profile at your current address. Active accounts are preferred to settled accounts |
| Good | You have no active accounts and 1 settled account on file at your previous address(es). Settled accounts at your previous address can improve your chances of getting credit if you have a limited credit profile |
| Excellent | Your oldest account is 5 or more years old. Credit grantors prefer to see accounts opened at least 3 years |
| Poor | You have 1 derogatory item in your payment history from a missed payment |
| Excellent | All payments on your accounts are up to date |
| Excellent | Credit reference agencies are receiving periodic updates from your credit grantor(s) that reflect you have made payments on time in the past |
| Poor | You have a default on your account which shows you have not paid a previous debt |
| Electoral Roll | |
| Poor | You are not presently shown as registered on the electoral roll. Credit grantors generally prefer at least 3 or 4 years of confirmed residency as this indicates stability |
| Searches | |
| Poor | You have had 5 search(es) for credit in the last six months. Credit grantors view more than one or two searches within six months unfavourably |
| Court Information | |
| Excellent | You have no information in your credit report that indicates a Court Judgment or other public record information such as a bankruptcy in your name. Credit grantors view this favourably |

Answers: Salaries and payslips

Sonya's payslip



Sonya is 21 and is a trainee engineering manager at a construction company. She is paid monthly and earns £20,400 per year. Because Sonya is over 16 she pays tax (PAYE) and National Insurance Contributions. She has a student loan but doesn't earn enough yet to make repayments.

Calculate Sonya's PAYE:

1. An annual personal tax allowance is 10x the number given in the tax code. What is Sonya's annual personal tax allowance?
2. Work out Sonya's taxable pay – the amount of her salary that Sonya will have to pay tax on
3. Calculate how much tax Sonya will pay over the year (the tax rate is 20% of taxable pay)
4. Work out how much tax Sonya will pay each month

Calculate Sonya's NICs:

5. National Insurance Contributions (NICs) are paid on annual earnings over £8,164. Work out how much of her annual salary Sonya will pay NICs on
6. Calculate the NICs Sonya needs to pay on this amount. NICs are paid at 12% (on annual earnings over £8,164)
7. Work out Sonya's monthly NICs

| Employee No | Employee | | Pay Date | Tax Code | National Insurance Number | |
|---|-------------------------------|----------|----------------------|----------------------------|---------------------------|---------|
| 0567 | S Fletcher | | 30/06/2021 | 1257L | AB 123456 C | |
| Payments | Units | Rate | Amount | Deductions | | Amount |
| Basic | 1 | £1700.00 | £1700.00 | PAYE | | £130.50 |
| | | | | NIC | | £108.32 |
| | | | | Pension | | £0.00 |
| | | | | Student Loan | | £0.00 |
| Ms S Fletcher 4 My Road My Street My Town MT1 1BD | Totals for this period | | | Totals Year to Date | | |
| | Total gross pay | | £1700.00 | Total gross pay TD | £5100.00 | |
| | | | | Tax paid TD | £391.50 | |
| | | | | NIC TD | £324.96 | |
| | | | | Pension TD | £0.00 | |
| ABC Company Name | | | Total Net Pay | £1461.18 | | |

Answers: Salaries and payslips

True or false?

True
False

You need your National Insurance number when you start a new job

You pay income tax on every penny you earn

True
False

You start paying back your university student loan as soon as you get a job

True
False

You can never query your tax code with HMRC

True
False

True
False

You must pay into a pension scheme as soon as you turn 18

True
False

There's no need to check your payslip

True
False

Job satisfaction is more important than salary

More from LifeSkills

There are many more resources to help you in your journey into work on our website, some of which are listed below. To find out more, register at barclayslifeskills.com/young-people

If you want help applying for jobs:

- Use the **LifeSkills CV builder** to write a professional CV
- Try the kinds of tests employers use with our **online skills assessment**
- Learn how to write a **cracking cover letter**

If you want to prepare for an interview:

- Learn about **different types of interview and assessments** with our virtual guide
- Practice your interview skills with a **virtual job interview**

If you want to develop enterprise and business skills:

- Use the **business start up planner** if you're thinking about starting your own business
- Use the **enterprise idea planner** to find out what's needed to bring an enterprise idea to life

For the skills needed for the future world of work, search the hashtag #transferableskills to learn about:

- Leadership
- Aiming high (proactivity)
- Adaptability
- Problem solving
- Listening and speaking (communication)
- Creativity
- Staying positive (resilience)

Further support

The following links can be explored to get further advice on a number of topics around managing finances and living independently:

The Childrens Commissioner (general advice for those up to 25)

childrenscommissioner.gov.uk

The Rees foundation (general support for Care Leavers of any age)

reesfoundation.org

Care Leaver Covenant (help finding job opportunities)

mycovenant.org.uk

The Association of British Credit Unions (help finding the right credit unions and general information about these)

findyourcreditunion.co.uk

Propel (support for those going to university, including financial advice)

propel.org.uk/UK

Citizens Advice Bureau (general legal and financial advice)

citizensadvice.org.uk

Step Change (debt management advice)

stepchange.org

Money Helper (general financial advice)

moneyhelper.org.uk

Debt Advice Foundation (free, confidential debt advice charity)

debtadvicefoundation.org

Benefit calculator (free tool to help find estimates for benefits entitlements)

entitledto.co.uk/benefits-calculator

Experian (free tool for credit score checks)

experian.co.uk



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