

FACILITATOR CHEAT SHEET

How Can I Save? Exercise

- Start off with a discussion about why we might want to save, what we might want to save for and then ...
- Work in small groups (2 or 3).
- Each group has a copy of the 'types of savings' cards.
- Each group divide the cards into:
 - Those savings products they would use
 - Those savings products they would not use
- Discuss the choices, are there savings products people wouldn't use because they don't know what they are – use the cheat sheet to explain
- Are there situations when it's not good to save? Or are there any ways of saving that we haven't mentioned?
- Remind people that some benefits can be affected if you build up savings, so always get advice if you think you might be affected.
- Finally, draw on the discussion to, if time, list the considerations they would make before using any savings product using the handout as a cheat sheet **or** provide people with the handout *How can I save? What should I ask?*

Additional notes to assist the facilitator

ISA (tax free savings account): - ISAs are tax-efficient savings and investment accounts. You can use them to save cash or invest in stocks and shares. There are annual limits to what you can put into an ISA and you pay no Income Tax on the interest (or dividends in a share account) you receive from an ISA. Even if you don't pay tax, a cash account ISA may offer the best interest rate or saving flexibility. **Be aware** - using an ISA to invest in stocks and shares is still investing in stocks and shares and therefore the capital you put in is not protected. There are also **LISAs** and **Help to buy ISAs**. **LISAs** are for those age 18 to 39 and is designed to help people buy their first home or save for retirement. A bonus of 25% is added to your savings (again there are annual limits) but there is a penalty if you withdraw the money for reasons other than your first home or saving for retirement. **Help to buy ISAs** are designed for anyone who is saving for their first home. A bonus of 25% is added to your savings (again there are annual limits) but there a rules around how you can use the savings.

Credit Unions: These are owned and run by their members, and are only for their members. They are for people with a common bond—i.e. people who live or work in a local area. Credit unions are usually very small and feel accessible for people who are wary of banks. They also

MADE OF MONEY

offer loans for their savers, at rates that are higher than high street banks but which are lower than other lenders who offer money to those without a high credit rating. **Credit unions do not pay interest**, but rather dividends—i.e. they share out profits amongst their members, which can vary greatly (or some years they may be unable to pay a dividend at all if they do not make a profit). Credit unions are regulated by the FSA and savings are protected.

Don't save: the interest you are being charged on debt is likely to be much, much higher than interest you can earn on savings. If you have any spare income would it be better to use it to pay off debt?

Children's account – junior ISA or child trust fund: Junior ISAs offer a way to save tax-free for your children. There are annual limits to what family and friends can put into a junior ISA on behalf of the child and there's no Income Tax to pay (or Capital Gains Tax to pay on the interest, dividends or investment gains in a share account). Be aware using a junior ISA to invest in stocks and shares is still investing in stocks and shares and therefore the capital you put in is not protected. If your child was born between 1 September 2002 and 2 January 2011, they are likely to have qualified for a Child Trust Fund. These offer tax-free savings and a one-off starter payment from the government. There are annual limits to what family and friends can put into a Child Trust Fund on behalf of the child. There are also a range of savings accounts for children so if your children don't pay tax anyway (most don't) and you you're your children to be able to access the savings before 18 this might be a better option.

Note: if people save for their children by putting money into accounts in their own names these will count as their own savings for benefit purposes. If children have their own savings over certain amount (£3,000 as at 16/8/2017) this can also affect how benefits are calculated so take advice.

Banks and Building Societies: Banks and building societies can be found on most high streets, or accessed over the internet or post. They offer a huge range of products for adults and children, and you can save anything starting with £1. Interest rates will vary hugely depending upon what type of account the money is in. Several websites, such as the www.moneysavingexpert.com do comparisons on savings accounts at banks and building societies to help compare interest. **Instant access accounts** – tend to offer lower rates of interest but the savings can be accessed quickly (usually the same day). **High interest accounts** – are often only available on-line and the interest rate is likely to be higher the longer you are prepared to lock your money away for. For example, to get your money might require 3 months notice and either you can not get it more quickly or you will lose interest/face a charge if you do so. High interest accounts may offer an initial *bonus* rate but fall back to a much lower rate after so many months. If you are not prepared to chop and change your savings account it may be better to look for an account that has been consistently offering a reasonable rate.



MADE OF MONEY

Budget card (now known as **Budget card plus**)- these cards are offered by the Post Office free of charge and are not reliant on having a post office account (but one does have to provide ID to set up the account). You save by loading up the card with cash at the Post Office as often as you wish. The card can be used at Post Offices to pay utility bills, car tax, council tax and make certain other payments. You can also use it at a wide range of high street shops between 1 November and 31 January so it is also a way of saving for Christmas. The money saved is protected if the card is lost or stolen (providing the Post Office is properly notified) but a replacement card does cost £5. The card does not pay interest and you can not save over a certain amount so not appropriate for long term or major saving but safer than putting pennies in a jar.

With friends/savings circle – common in many traditions, friends or community members pay into a pot and the funds are then used to support different members in different ways on particular occasions. Similar to a credit union but the security of the funds is dependant on the members of the circle.

Sharia compliant/ethical savings account - When you put money in a savings account, the bank or building society lends your deposits to firms to support and grow their businesses. Ethical saving and investing lets you be selective about which firms you help. Different ethical products take a different stance on the investments they reject (negative selection) and those they support (positive selection). Some banks offer Sharia compliant products. See www.moneyadviceservice.org.uk for more information.

Christmas clubs, Savings cards & Hamper Schemes - Christmas clubs & Hamper Schemes allow you to save weekly with a company that will pay out the money, often with a bonus, just before Christmas. This can then be used to buy hampers or gifts from that company. Companies belonging to the Christmas Prepayments Association offer some protection, should they go out of business—but if you are thinking of investing in a hamper scheme you should always find out what level of protection (if any) there is. **Savings cards** are available for you to save regularly with a particular shop or supermarket, and often you cannot take your money out until a set date i.e. just before Christmas. These cards do not pay interest, but often pay a bonus. If the shop goes out of business you are not protected and will not get a refund. The post office's **Budget card plus** is also a way of saving for Christmas – see above

At home: Some people may choose to save money at home, in a money bank for children, under their bed, in pots of coins etc. This allows for easy savings and access, but this is not insured in cases of fire or theft (even contents insurance will only cover small amounts of cash).



MADE OF MONEY

Other products you might discuss

National Savings and Investments: Savings schemes on behalf of the government. They are completely secure, and offer a large range of products.

Online savings managers: These products (such as Chip, Plum, Monework) work out how much you can save by reading your bank account transactions. They will then transfer what their calculations believe you can save into a savings account. Each product is slightly different so you need to check very carefully i) where your money is being saved ii) is it fully protected iii) if someone recommends you to this product is it because they will earn bonus interest for the introduction. You also need to consider how you feel about a third party seeing your banking transactions.

Peer to peer lending: This is also known as crowd-lending (run via sites such as Zopa, Ratesetter and Funding circle). Savers who want to put money aside for longer are matched with people or companies who wish to borrow. Because a bank is excluded from the transaction borrowers often get slightly lower rates and savers a much better interest rate. The website that sets up the match obviously gets a fee. Tax is payable on the interest you earn. Be aware that you are investing in a company, **you could lose** some or all of your savings. You are also investing for a set period of time so will not have access to your money for this period.

Pre-paid debit cards: This is a card you load up with money as you save and can then use like a debit or credit card to spend. Some cards also offer cashback and discounts on well-known retailers. This can be a way of saving for an item rather than borrowing via your overdraft or a credit card to buy it and it can be a way of building credit. However, there are a lot of costs involved that add up and may make the card not worth using –**check the terms carefully!**

Please remember that we can not give financial advice and are simply informing people of their options. Explain that there are many different saving products and accounts. The Money Advice Service www.moneyadviceservice.org.uk is a good source of information.

