

Money: Key Terms

A young person's guide

Resource 2 of 12

You may also like to read these resources:

- Benefits and entitlements
- Money-putting some aside
- Money- I need some!
- Budgeting

Getting Ready Project

ATM

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

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. Therefore you owe this money, you are 'in arrears'

Authorised overdraft

An overdraft that you have prearranged with your bank. Some banks may offer this as a free overdraft, but you need to check. An overdraft is a form of borrowing money.

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, you have a disability, have a child 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 and therefore left over each week/month

Building Society

Usually offering the same 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 over the next 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 £30

Contract

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

Costs

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

Council Tax

A tax individuals need to pay towards rubbish collections, libraries, youth services, environmental health, police and emergency services etc. 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 pay out your bills etc 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, whether you keep up with payments etc. Therefore if you constantly borrow money or don't make payments on time it will affect your 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 you can receive that can be used to take money out from your bank at a cash machine or pay for goods/services. You can only take out what money you have in your account.

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

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

Free Trial

You obtain a service for free for a set amount of time, maybe 30 days. At the end of this, you will automatically be 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 and if you get it you do not have to pay it back. When you apply 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 the product or service. Common offers are '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 2019/2020).

Interest

The cost of borrowing money which is added onto the amount you owe. It is also the reward for saving money, this 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 Welsh Government/Local Authority. You 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, 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 (18-20 year olds); £8.20 (21 to 24 year olds); £8.72 (25+)

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. 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 (18-20 year olds); £8.20 (21 to 24 year olds); £8.72 (25+)

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 (20/21) £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 feels 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. The rate is currently £9.30 per hour

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

Statement

TV Licence

Unauthorised overdraft

Unemployed

Universal Credit

Utilities

VISA

Weekly Payment Retailer

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

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

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

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 will stack up quickly.

When you do not have a job.

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.

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

A type of debit or credit card

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

