# LMB Finances

#### Key Terms

Budgeting – Planning out how to spend your finances including needs and wants Income – the amount of money earned over a period of time usually through work

Expenditure - amount of money spent each month

Overdraft – additionally funding agreed with the bank that you can take out above your current account balance

Loans – money borrowed from an additional source

Interest rates – amount charged additionally to a loan, usually a percentage (APR) Annual Percentage Rate

Mortgage – money borrowed to buy a property

Pay day lenders – companies that lend money to people for a short fixed term, often have high interest rates and are expected to be paid back typically by your next pay day

Credit – the amount of money that a person can use to buy goods based on good faith of paying it back

Debit – the amount of money owed

Cost of living – the social economic situation that states how much everyday products cost

Credit score – a personal rating based on how reliable you are to borrow money and pay it back

Income Tax – the percentage of your wages paid to the Government to pay for important national services

National Insurance – amount paid to the Government when you turn 16 to contribute to services such as pensions

HMRC – His Majesties Revenues and Customs

VAT- Value added Tax included in the price of everyday products

#### Renting, buying or finances

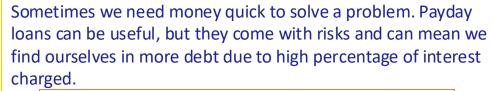
When making a large purchases (such as houses or cars) there are different options you can use to borrow money. Each have their advantages and disadvantages.

### BUYING *VS*. RENTING



You build equity.	It's cheaper, but you	
rou build equity.	don't build equity.	L
It's difficult and costly	You have the flexibility	
to move.	to move.	
You can renovate or make other changes to	You have less freedom	
your home.	to renovate.	
Additional expenses	Additional	
(taxes, insurance, HOA fees) are high.	expenses are low.	
You're responsible for	The landlord handles	
repairs.	repairs.	
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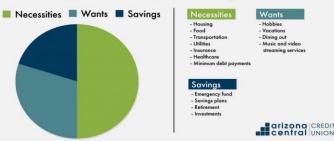
#### **Payday Loans**



	Debit Card	Credit Card
Source of funds	Your bank account	A short-term loan from your bank.
Payment	Directly to the merchant as you're using your own money.	The bank pays the merchant, then you pay the bank back.
Interest	None	Interest is charged on the outstanding amount if it hasn't been paid by the due date.
Rewards	None	Enjoy cash back, points, miles, rewards, and more.
Fees	May have to pay annual fees or potential overdraft fees.	May have to pay for annual fees, late fees, cash advance fees, and more.
Builds credit score	No	Yes

<u>Cost of living Crisis</u> – the current economic situation is that the price of everyday products are increasing but an individual wages are not increasing at the same rate. This means that households might not have enough money to cover their bills and living costs. Meaning that some families are now living in poverty.

### The 50 30 20 Budget Rule



## **Access Help**





