



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 difficult and costly to move.

You can renovate or make other changes to your home.

Additional expenses (taxes, insurance, HOA fees) are high.

You're responsible for repairs.



It's cheaper, but you don't build equity.

You have the flexibility to move.

You have less freedom to renovate.

Additional expenses are low.

The landlord handles repairs.

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Payday Loans

Sometimes we need money quick to solve a problem. Payday loans can be useful, but they come with risks and can mean we find ourselves in more debt due to high percentage of interest charged.

	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

Cost of living Crisis – 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

■ Necessities ■ Wants ■ Savings



Necessities

- Housing
- Food
- Transportation
- Utilities
- Insurance
- Healthcare
- Minimum debt payments

Wants

- Hobbies
- Vacations
- Dining out
- Music and video streaming services

Savings

- Emergency fund
- Savings plans
- Retirement
- Investments

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Access Help

