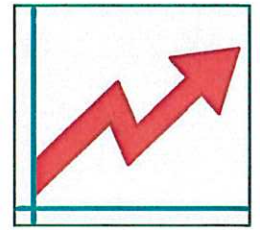


Borrowing and Lending

Borrowing money can be an important and necessary part of life, whether it is borrowing from a bank for your first mortgage or borrowing for University fees.

When you borrow money it will usually generate interest, meaning that the amount you originally borrow will accumulate in compound interest over time.



1. In the tables below, calculate how much interest will increase the total debt if no payments are made?

a) Borrowing £1,000 at 40% interest.

Year	Interest Added	Debt Owed
1	£400	£1,400
2	£560	£1,960
3	£	£
4	£	£
5	£	£5,378.24

b) Borrowing £200,000 at 2% interest.

Year	Interest Added	Debt Owed
1	£4,000	£
2	£	£ 208,080.00
3	£ 4,161.60	£
4	£	£
5	£	£ 220,816.16

2. Fill in the blanks of the paragraphs below:

People borrow for many different reasons. A bank has multiple options, such as an _____ which is a capped amount by your bank and no agreement on how you pay back, this is commonly used when you have no money left in your bank account. Similarly, using a _____ has the same limits but you can use this in addition to your current money, but sometimes at a higher interest rate. If you wanted to buy a house, you would get a _____. These have much lower interest rates but it will have a long-term payback deadline.

Another reason people borrow money is for higher education, like university. To pay their university course fees, students may get a _____, and this is paid yearly to the university. To cover the cost of their living and rent, students may also get a _____. The amount of this is dependant on their parent or guardian's household income and is paid back as a portion of their salary when they earn a specific amount.

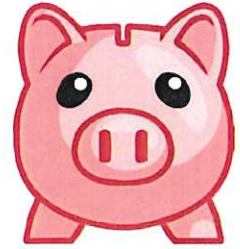
Sometimes though life can be difficult, and someone might not be able to borrow by using a credit card or an overdraft, so some people use _____. These are easily obtained for borrowing small amounts but have very high _____ and often need a _____ for security.



maintenance loan	tuition fee loan
interest rates	overdraft
credit card	pay day loans
guarantor	mortgage



Plan Your Budget



Knowing your budgets and allowing room for savings is a very useful skill to have. One way to do this can be to estimate your monthly earnings and spendings.

1. Can you fill in how much money is leftover from the examples below?

Item	Amount
income	+£1100
living	-£300
food	-£150
tax	-£80
travel	-£80
fun	-£150
Leftover	

Item	Amount
income	+£1500
living	-£500
food	-£200
tax	-£100
travel	-£150
fun	-£260
Leftover	

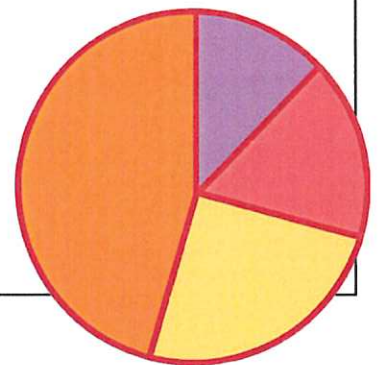
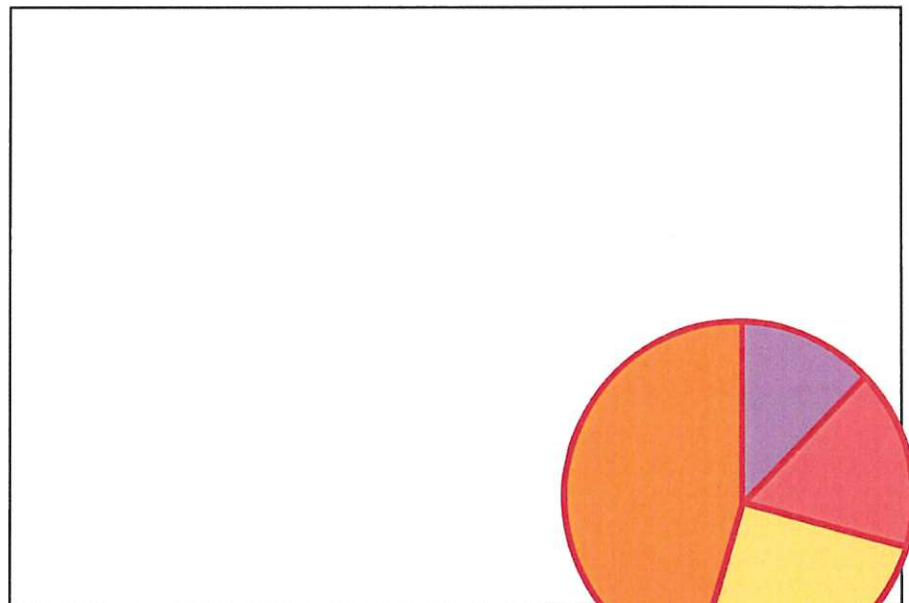
Item	Amount
income	+£2500
living	-£1000
food	-£300
tax	-£150
travel	-£200
fun	-£400
Leftover	

2. One way of saving better is to plan where you spend. A friend is having some problems trying to budget their money because they want to buy a new laptop in 6 months but it will cost £900.

Item	Amount
income	+£1200
required costs, e.g.: living, food, tax	-£700
going out	-£150
meals out	-£140
snacks	-£20
take-away coffee	-£40
clothes shopping	-£150
Leftover	

3. How much will they need to save per month to afford the laptop?

4. Take a look at their spending on non-essential items, where can they make cuts to save more money?



Business Challenge

Could you be a successful entrepreneur?

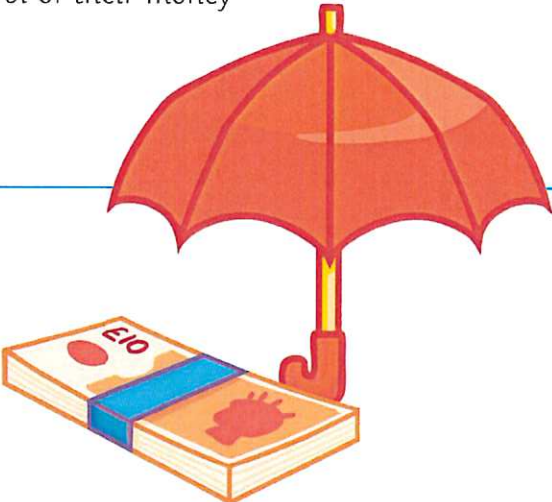
Entrepreneurs are independent thinkers who believe they have the ability to succeed.

Your Task

Design a financial educational tool (e.g. app, video, board game etc.) to help young people.

Split into groups of 4-6 people.

Your task is to present a business idea pitch at the end of the session.

Why is your product important?	What your product needs to solve?
<p>People don't save enough!</p> <ul style="list-style-type: none">• On average people save 5%• People aged less than 35 save -2%• The savings rate required to maintain living standards post-retirement is 15%	<p>"Giving young people a tool to help them feel in control of their money"</p> 

Think carefully about:

- Who is your **target audience**?
- What are the **specific problems** that your target audience are experiencing?
- What is your proposed **solution**?
- How will your product **solve** the problem?

What do you intend to create to solve the problems for your target audience?
