



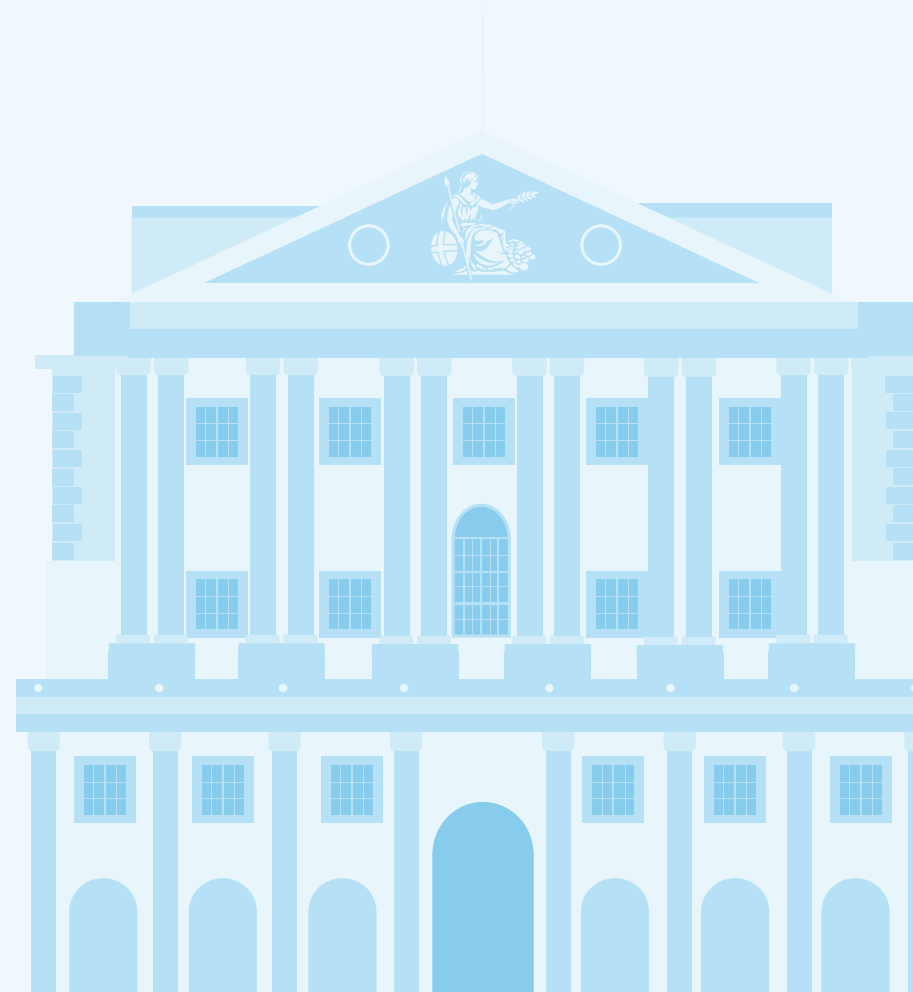
BANK OF ENGLAND



econoME

decisions matter

Presentation 4: Saving, borrowing and protecting my money





Starter: Graffiti walls

What do you know about saving money, borrowing money, and protecting money?



Learning objective:

- Students will learn about saving, borrowing and financial fraud

Learning outcomes:

- I can describe the benefits of saving and borrowing
- I can explain how interest rates work in relation to saving and borrowing
- I can judge when financial situations can present significant risk, and can explain why this may impact on someone's wellbeing
- I can suggest ways to avoid negative financial risk from borrowing or fraud



Activity: Understanding financial terms and concepts

Read through the terms and concepts on Activity sheet 8. Can you match them to their definitions? We'll be further exploring some of these during the rest of the lesson.

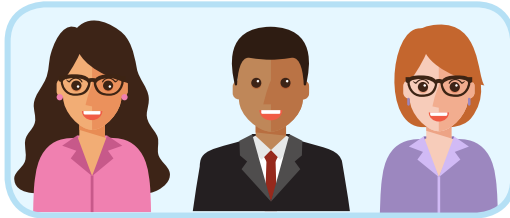


Saving and Borrowing

- What kinds of choices do we make about money?
- Why might someone save or borrow money over a short term?
- Why might someone save or borrow money over a long term?



Who or what might people use to borrow money?



family



friends



payday loan companies



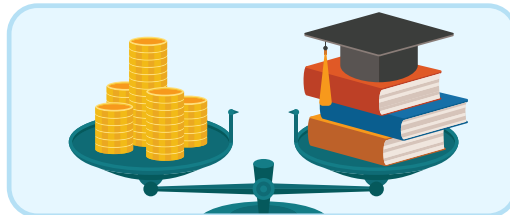
high street banks



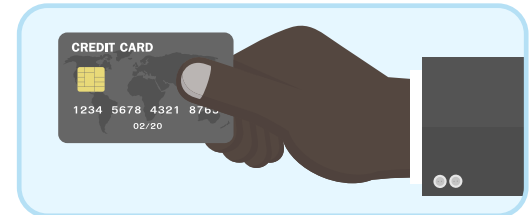
loan sharks



store cards



student loans



credit cards

Which of these might be the most/least trustworthy?

Who might you speak to for financial advice?

How could you decide if the advice is accurate and trustworthy?

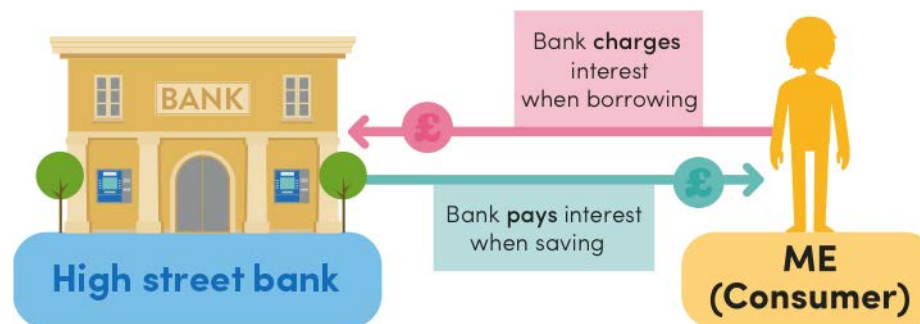


Reminder – What are interest rates?

When someone saves with a high street bank, the bank pays them a little extra money. When someone borrows, the bank charges a little extra money. This extra is called '**interest**'.

If you borrowed £1,000 and the **interest rate** was 2%, you'd have to pay back the original amount, plus 2% of it –so £20 extra.

The interest rates offered by banks can have a powerful influence on your decision to either borrow or save money with them.





Activity: Calculating interest rates

Read through the saving case studies (Activity sheet 9) and Alfie's case study (Activity sheet 10).

Calculate the interest in the scenarios, using the Bank of England's borrowing and savings calculator:

<https://www.bankofengland.co.uk/education/education-resources/borrowing-savings-calculator>

Extension: Read Zara's case study and complete the activity.





Planned borrowing



Manageable debt



Confidence
Feeling 'in control'



Unplanned borrowing



Unmanageable debt



Likely to lead to:
Stress
Depression
Sleeplessness
Anxiety
Strained relationships

Unforeseen
circumstances

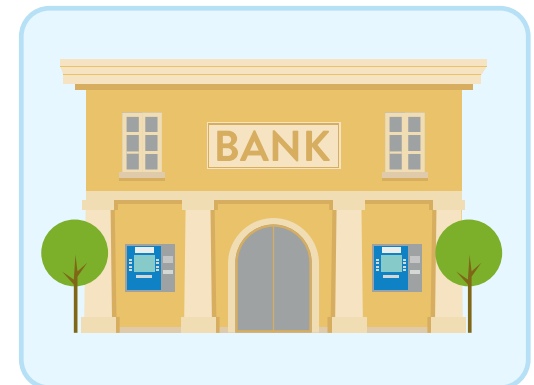




Discussion

Why might it be a good idea to...

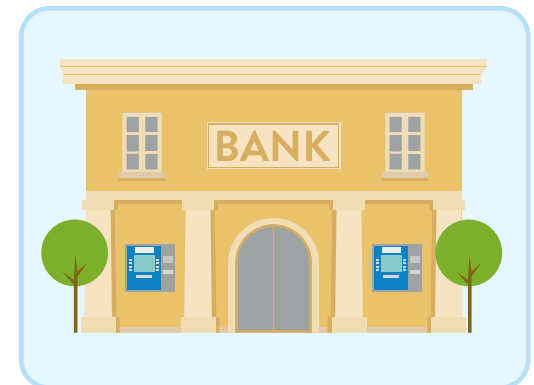
- ...carefully plan when saving or borrowing money?
- 'Shop around' for the best interest rates? (Remember, higher rates are better for savers and lower rates are better for borrowers.)
- Calculating interest to know the true cost of a loan when borrowing money?
- Understanding that the capital must be repaid as well as the interest owed





Discussion

- How do changing personal financial circumstances impact on borrowing habits and options?
- How are variable and fixed interest rates different? Why might someone prefer one or the other? Why is the loan period important?
- What else might need to be considered when saving with or borrowing money from a bank?





Protecting My Money

What is fraud?

Fraud is when trickery is used to gain a dishonest advantage, which is often financial, over another person.

(Definition taken from Action Fraud – actionfraud.police.uk/what-is-fraud)



Some examples of financial fraud include:

- **Identify theft** – the target's personal details are used to gain money or other benefits.
- **Phishing** – scammers trick people into providing personal/bank details, which can then be used to hack their computer or in identity theft. Targets are commonly approached through social media, email, text etc.
- **Fake sales websites** – these sell items that are fake or do not arrive
- **Fake job offers/scholarships/competitions/charities** – these ask for money or personal details but turn out to be fake
- **False investments (e.g. Ponzi/Pyramid schemes)** – targets are promised big returns if they invest, but the schemes are not real and investors usually lose their money

But there are many other examples



Activity: Exploring financial fraud case studies

Read through the case study examples of how different types of fraud may play out in practice (Activity sheet 11a and/or 11b).

For each scenario, consider the following:

- What types of financial fraud is this an example of?
- What could indicate that this is a scam?



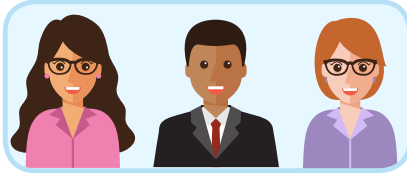
What advice would you give to the person who was the target of fraud?

Tips for avoiding financial fraud

- Be suspicious of anyone you don't know contacting you (via phone, email, text or social media). Ask questions and challenge anything that seems odd. End the communication if you feel uncomfortable and speak to your parents, teachers or the police if you feel threatened.
- Never give out personal details, such as date of birth, address, bank account details, PIN or passwords.
- Be wary of 'too good to be true' or 'get rich quick' offers – they're probably fake!

If you think you've been a target of fraud, contact Action Fraud, the UK's national 24/7 reporting centre for fraud and cybercrime: actionfraud.police.uk

Where can young people get support if they are worried about money or facing a decision?



- Parents



- Friends



- Teachers and other school staff



- ChildLine – a charity offering children and young people the chance to talk privately about any worries they might have, 24/7



- Citizens Advice – an organisation that offers free advice around a range of issues, e.g. finances, legal, family, work, housing



Share your knowledge

Think about what you've learned about:

- Making financial decisions
- Recognising risks
- Solutions or organisations that can help them avoid financial risks
- Recognising risks and benefits
- Use of key terminology/words.



How will what you have learned today help you make better financial decisions in the future?

