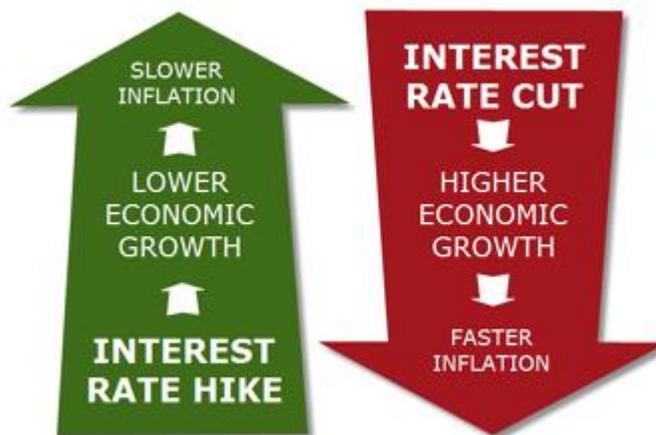




Finance – why do I care?



Interest and Inflation



Investing



A knowledge of **finance** is incredibly important. If you do not understand the terms interest, inflation, debt, credit and investment then you are at a huge disadvantage.

Learning how to safely save, borrow and plan for your future is the single most valuable thing you can ever do in your life.

It is likely that by the time you come to retire, there may not be a government pension and you will be entirely responsible for making sure you can afford to live without working. This involves HUGE sums of money and planning from NOW, not when you are older.

Learning to understand money will ensure you avoid potentially life changing debt problems and money worries in your future.

Interest has two definitions depending on whether you are borrowing money or saving money.

Borrowing – Interest is the amount you pay for borrowing money from the bank. In other words, you pay back more than you borrow

Saving – interest is the amount the bank gives you in return for lending them your money. In other words, the bank pays you to borrow your money.

Inflation is the amount by which prices rise each year. Normally, the price of something goes up each year – which means if you don't earn more each year then you are effectively getting a pay cut.

Investing is a method of “growing” your money and an alternative to a traditional savings account.

Investing runs the risk that if there is a financial crisis, you could lose a lot of your money, however the benefits are that you can gain large profits over time because of compound interest. This makes investing far more sensible over the long term than saving with a bank.

Investing is something you should aim to do in your future for:

- Your pension
- To buy a house
- To simply be more financially comfortable in later life.

Year 8 Computing – Financial Education

Key Vocabulary and Definitions



	Meaning
FTSE 100	The 100 largest UK companies (by value) listed on the Financial Times Stock Exchange (often said "footsie")
Interest Rate	A percentage charged on the amount that you borrow or a percentage paid on the money that you have saved
Bank of England Interest Rate	A base interest rate set by the Bank of England that influences borrowing and saving interest rates
Shares	Ownership of large businesses is divided in to individual shares that can be bought and sold
Share Price	The cost that each share of a business that an individual will buy or sell for. The price of shares is influenced by demand.
Interest	Money paid at regular intervals on money that has been borrowed
Inflation	A measure of the change of a currency's value
Consumer Price Index	Used to set the inflation rate; measuring the cost of a "basket" of common products that people purchase
APR	Annual Percentage Rate: Interest rate on an amount borrowed for an entire year rather than monthly
Salary	A fixed regular payment made to an employee
Take Home Pay	The money left in a salary after tax, national insurance, etc. have been deducted – the money that reaches the individual's account
Tax	Paid on income (and other factors) to fund public services; taken out of salary automatically
Debt	Money that is owed to another person or organisation
Credit Card	A card that allows items to be purchased on "credit" (the credit card company's money) and to be paid for at a later time and/or in instalments
Mortgage	An agreement where a bank lends someone money to buy a house, to be paid with interest in regular instalments
Loan	Money is lent to a person or individual to be repaid in instalments with interest added
Payday Loan	A "high interest" emergency loan that is often given without as strict background checks
Citizens Advice Bureau	A government funded organisation that gives advice to the public on money, housing, etc.