



Let's talk
about money

Your Money Guide



Gareth Southgate wishes you financial success

I am delighted to have this opportunity to endorse the benefits of improving your money management skills.

No matter what your walk of life, having the knowledge and skills to manage your money will be very useful in your dealings with people in the world of work and your personal life.

I say this in the knowledge of experience. Many young people with a talent for football dream of one day making it as a professional player. Their drive to achieve their football ambitions often results in their school studies suffering. The outcome is that many professional footballers struggle to understand the money they are lucky enough to earn as they progress in the game.

This means they are reliant on the advice of financial 'experts' to guide them. No doubt many wish they had spent a little more time at school focused on the development of their reading, writing and number skills rather than dreaming of their next game of football!

With that in mind, I have no hesitation in throwing my support behind this guide and encouraging you to devote a few hours towards improving your own money management skills. It's never too late to learn to manage your money – take the chance when you can – it will pay off.

Good luck

Gareth Southgate
Manager Middlesbrough FC (57 caps for England)



European Social Fund and Your Money Guide



EUROPEAN UNION
European Social Fund

Your Money Guide has been produced as part of the Let's Talk About Money Project, which is part-funded through the European Social Fund (ESF).

The ESF is a European Union initiative that helps people who need additional support to enter jobs, improve their skills and develop their potential at work.

ESF opportunities are helping offenders to gain skills and connect with the workplace.

The guide is targeted specifically at offenders (and families) who are:

- Over 21 years of age
- In the last two years of their sentence

It is also targeted at ex offenders and their families. The guide is aimed at people residing in areas covered by the England ESF Objective 3 programme (i.e. all of England except the Objective 1 areas of Cornwall and the Isles of Scilly, Merseyside and South Yorkshire).

The current ESF programme period (2000–2008) has invested around £4 billion of ESF money in employment and training projects in England. To date, over 4 million people have benefited from ESF.

For more information on current and 2007–2013 ESF programmes visit

- European Social Fund: www.esf.gov.uk
- Adult Learners' Week/Sign Up Now: www.alw.org.uk

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NIACE is grateful for the help freely given by colleagues, consultants and professionals across the country in ensuring that the information contained in this guide is correct at the time of printing.

Introduction

Dealing with money is one of the most difficult things we have to do in life. If we don't manage the money we have, we can find ourselves running into all sorts of problems.

Unfortunately, managing money isn't easy. We don't usually get taught how to do it at school or college and there is so much information and advice about that it's almost impossible to know what to do or who to believe.

The aim of this guide is to help you and your family get to grips with some of the basics of money and give you some guidance on how best to manage it so that you can make the most of what you have.

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Once you have worked through this guide, if you want to learn more about looking after your money and you have access to the internet, the website www.moneymatterstome.co.uk goes into much more detail. It has lots more information as well as interactive tools to help you learn. Your local library should provide Internet access if you need it (which might be free).

Who to contact if you want to improve your reading, writing and number skills

If you want to find out more about how you can improve your reading, writing and number skills, speak to your Supervising Officer, Offender Manager, Resettlement Team or contact:

- **learndirect** freephone helpline 0800 100 900 offers information, advice and guidance on courses. Open 7 days a week 8am to 10pm, including holidays. You can also get advice online from www.learndirect.co.uk/.
- **BBC Learning** is a comprehensive website with email and phone support covering everything from an option to searching for a course to links to the popular Skillswise and Maths-on-line. Visit www.bbc.co.uk/learning, or call the BBC freephone advice line, which is open from 8am to 10am 7 days a week 08000 150 950.
- **Nextsteps** promotes learning and work to all adults from the age of 20. There are offices in all areas of England with freephone numbers. To find the nearest branch go to www.nextstep.org.uk/
- **Directgov** is a public information website www.direct.gov.uk that has an education and learning section which can help you 'get rid of your gremlins' and improve your reading, writing and maths. Dial the freephone number 0800 660 800 or they can ring you back if you book a call online, at <http://learndirect.phoneme.net/50193/CallBack.html>
- **Your local library** is one of the best resources you can use. It can be an excellent place to find information about organisations in the area which offer financial advice and guidance. It should also have information about any local courses on financial matters. The librarians are on hand to help you find this information. Most libraries also offer access to the Internet, which you may need to book. Open hours can vary from location to location.

Where your money comes from and where it goes

The money coming into your household can come from different places – work, or benefits, or a combination of the two. If you have reached retirement age (currently 60 or above for women, and 65 or above for men) the Government may pay you a pension. This is to cover the basic cost of living if you have made sufficient National Insurance contributions during your working life. If you would like to learn more about your State Pension, including a forecast of what you might expect, you may find this website helpful:
www.direct.gov.uk/en/MoneyTaxAndBenefits/PensionsAndRetirement/StatePension/index.htm

Where your money goes

Almost everybody wonders where their money ends up going and it's easy to see why, because it gets used for a lot of different things.

Housing and household expenses

As adults, we usually spend money on keeping a roof over our heads. We may be buying our own home, which usually means we pay some money every month towards the cost of this purchase (a mortgage). Otherwise we rent. This means that the home we live in doesn't belong to us but we pay money (rent) to the owner so that we can live there (this may be the council, a housing association or private landlord).

We usually have to pay for things like the electricity, gas and water that we use at home.

Living expenses

Our money also goes on things like buying food and clothes and paying for telephone and television bills. We also need it to travel about, whether that means buying bus or train tickets or running a car. And of course we all like having a bit of money to spend on having fun.

Where your money comes from and where it goes (continued)

Savings

If you do not have much money left at the end of the month, then you may want to start to save some on a regular basis. By doing this, you'll build up a pot of money that you can spend on something special or just put by for a rainy day.



Ways to boost your household budget

Wherever and however you live, running a home is expensive. Here are some general tips that can help you reduce the costs and keep control of your budget.

- Claim all the benefits and tax allowances that you are entitled to. Your local Jobcentre Plus can help with this.
- Shop around for services such as gas, electricity, telephones and television. The companies providing these services compete with each other to give good deals to customers so you may find you can save money by switching. Your local library should have Internet access (this may be free) and there are quite a few websites that can help make it easy for you to check if you are paying too much for your services.
- You can also cut bills by switching to low-energy light bulbs and by turning off appliances such as TVs and DVD players rather than leaving them on standby. A water meter may also reduce your bills, but this depends on the amount of water you use, so check with your local water company. They may fit the meter free if it is a straightforward job, but again you will need to check.

Where your money comes from and where it goes (continued)

- Before you go food shopping, make a shopping list and stick to it. If you do see special offers or buy-one-get-one-free deals, make sure you don't buy more than you need and end up wasting food. It's also a good idea to look out for cheaper brands, such as a supermarket's own brand, which can help you save money. Remember that ready-made meals and take-aways are usually more expensive than cooking from scratch.
- Try to give up smoking! 20-a-day cost £2,000 a year.
- Self-employment can bring in extra cash and be rewarding but seek advice first to ensure you know what you should do about Income Tax and National Insurance. Working for yourself might also affect your entitlement to benefits.



Tax

If you're earning wages, you have to pay Income Tax, which means some of the money you earn goes straight to the Government. It is usually taken out of your wages before you receive them. There are also other taxes that we have to pay, such as Council Tax, which is a local tax that helps pay for things like our schools, rubbish collection and police service. Most of us have to pay some sort of tax. It's an offence not to pay what we owe so it's a good idea to take some time to find out more about taxes.



The organisation **TaxAid** gives free information and advice about tax to people on low incomes.
Telephone 0845 120 3779
www.taxaid.org.uk

Benefits and grants

Are you claiming all the benefits you are entitled to?

Any grant or benefit will depend on the terms of your release (remand, supervised attendance order or other condition).

The following information lists some of the benefits and grants that you may be able to claim. The availability of benefits and grants may change. You should contact your supervising or resettlement officer, local Jobcentre Plus, NACRO, Connexions or the Pension Service for up-to-date information. Please note: offenders may get benefit sanctions if they have been convicted of two benefit offences in three years. (The information below was right at the time of printing, but it may change.)

	What is it?	How do I apply?	Any other information?
Jobseeker's Allowance (JSA)	A benefit for people aged 18 and over if they are not in paid work or are working less than 16 hours a week and looking for work.	Attend (or arrange) a New Jobseeker Interview as soon as you can after your release. The Jobcentre Plus office at your prison may be able to arrange an interview for you before your release.	If you have paid enough National Insurance contributions in the past, you may be able to get contribution-based Jobseeker's Allowance. If your income and savings are below a certain level, you may be able to claim income-based Jobseeker's Allowance

Benefits and grants

	What is it?	How do I apply?	Any other information?
<p>Income Support (IS)</p>	<p>A benefit for people who can't claim Jobseeker's Allowance (JSA) because they are long-term sick or disabled or because they are under 18. If you COUNT as a prisoner you are not entitled to Income Support apart from housing costs. Housing costs are payable for up to 52 weeks while you are on remand, awaiting trial or sentenced.</p>	<p>Contact your local Jobcentre Plus.</p>	<p>A person on remand, parole or sentenced needs to check if they COUNT but a prisoner is not counted as a member of a family for IS purposes.</p> <p>If you are a prisoner, your partner can claim benefit as a single person or lone parent.</p> <p>If your partner or child is a prisoner, you can no longer claim IS for him/her.</p> <p>As IS is generally paid in arrears (money owed to you) an offender may need to apply for an interim payment or Social Fund Crisis Loan to meet their initial expenses. (An interim payment is money to cover the time between your claim being made and IS being received.)</p>

Benefits and grants

	What is it?	How do I apply?	Any other information?
Housing Benefit (HB)	<p>A benefit for people who are on low incomes and who need help to pay their rent.</p> <p>The conditions for receiving this benefit depend on</p> <ul style="list-style-type: none">● the length of your sentence● whether you return to your home or a bail hostel.	<p>Your local Neighbourhood Office, which looks after housing at your local council, will deal with this. If you are claiming JSA or IS, Jobcentre Plus should contact the council for you.</p>	<p>If you are not entitled to IS or income-based JSA you will need to make a new claim for HB on release.</p> <p>If you are not entitled to HB your partner or another person occupying your home may be able to claim benefit as a 'liable person'. A prisoner continues to COUNT as a member of the claimant's family as long as he or she is unlikely to be away for substantially longer than 52 weeks.</p>

Benefits and grants

	What is it?	How do I apply?	Any other information?
<p>Discharge Grant (DG)</p>	<p>If you have been in prison for 15 days or more you will get a discharge grant on release.</p>	<p>To get the grant, your prison should give you a form to sign about two weeks before release.</p>	<p>If you need to pay housing costs in advance, an extra £50 may be available. It will be sent direct to your landlord (speak to your resettlement manager). This counts as capital for IS/Income-based JSA purposes, which means you don't get it as well as IS/JSA</p>
<p>Community Care Grant (CCG)</p>	<p>A grant for items like furniture, household equipment and clothing (but not clothes for interviews or work). If you are released on temporary licence somebody caring for you can claim CCG for living expenses.</p>	<p>You can apply to Jobcentre Plus up to six weeks before your release date, as long as you will be claiming IS or income-based JSA on release. Do not be tempted to apply early as this will mean your application will be sent back to you.</p>	<p>You are not automatically entitled to this and if there isn't enough money you will be turned down (first-come, first-served). You can apply for CCG if you are getting, or expect to be getting, IS or income-based JSA.</p>



Benefits and grants

	What is it?	How do I apply?	Any other information?
Crisis Loan (CL)	You may be able to get this if your Discharge Grant has run out and you are waiting for benefits.	Ask your local Jobcentre Plus or Citizens Advice Bureau (CAB) for a form.	You will need to pay this back. It depends on the funds available at the time of your application. The most you can get as a crisis loan is £1,500.
Child Tax Credit (CTC)	A tax credit to support families with children. The amount you receive depends on your income and family circumstances.	HM Revenue & Customs deals with this. It is paid on top of Child Benefit. You call the Tax Credit Helpline on 0845 300 3900 to get a claim form and to get more information. You claim Child Tax Credit and Working Tax Credit on the same claim form.	You can claim for as many 'qualifying children' as you are responsible for. If you get a Disability Living Allowance or if your child has a disability, he/she will qualify for the disability element of Child Tax Credit.

Benefits and grants

	What is it?	How do I apply?	Any other information?
<p>Working Tax Credit (WTC)</p>	<p>A tax credit for working adults on low incomes, including those who do not have children. It is means-tested, i.e. the amount you get will depend on what other income is already coming into the household.</p>	<p>HM Revenue & Customs deals with this. It is paid on top of Child Benefit. You call the Tax Credit Helpline on 0845 300 3900 to get a claim form and to get more information. You claim Working Tax Credit and Child Tax Credit on the same claim form.</p>	<p>The amount of hours you need to work to claim depends on:</p> <ul style="list-style-type: none"> ● your age ● whether or not you are responsible for any children ● if you have any disabilities.



Keeping track of your money

It often feels as if our money just vanishes so it's a good idea to learn to keep track of it. The best way to start to do this is to work out how much money we have coming in. This tells us how much we have to spend, which is often called our budget. With a budget, the idea is that you don't spend more money than you have, so if you have £110 coming in each week, this is the most you can spend in a week.

Why not have a go at working out your budget by filling in the 'Keeping Track of Your Money' pad at the end of this guide? Make a list of your 'outgoings' and add up the total cost. If the total of your 'outgoings' is more than your income, you will need to think about how you can reduce your 'outgoings' or increase your 'income'. Look at the section on 'Ways to boost your household budget' for some more help.

Your 'outgoings'

Outgoings might include:

- Council Tax
- Food
- Rent or mortgage
- Electricity and/or gas
- Work costs (travel/lunches)
- Water rates
- Telephone
- Clothing
- Transport
- Insurance
- Going out/leisure

If you have any other expenses such as maintenance payments or loans, remember to include these as well.

There is an example of how to Keep track of your money on page 38 of this guide will help you to keep track of your 'outgoings'. There is also an Interactive budgeter on:

www.moneymatterstome.co.uk/Interactive-tools/Budgeter.htm

Tackling debt

Debts tend to grow and there can be serious consequences for not paying them back. It is important to face up to them as quickly as possible.

Before your outgoings get out of hand and become debts, you might like to cut back on your spending for a short while. Is there something you can do without – cigarettes or cable TV? If you have a small debt, try not to spend money on non-essentials and you may be able to pay your debt off quickly before too much interest is charged or it becomes a problem.

The best way to tackle debts is to make a plan.

- First of all, make a list of all your debts.
- Then go back to your budget and see if you've got any extra money that you can use to pay them off.
- Next, prioritise your debts. That means working out which ones you must sort out first. This is important because you get into more trouble for not paying off some debts than others. For example, if you don't pay your bills at home your gas or electricity supply could be cut off; or if you don't pay tax or your TV licence you could end up being sent to prison.
- The debts we need to tackle first are known as priority debts. They include:
 - TV licence
 - Rent and mortgage arrears (arrears means money you owe)
 - Council Tax
 - Gas and electricity bills
 - Magistrates' Court fines
 - Maintenance
 - Hire purchase agreements
 - Taxes, such as Income Tax, National Insurance and VAT

Tackling debt (continued)

You must get in touch with everyone you owe money to and explain why you're in debt. Then you must negotiate how you're going to pay back the debt. To help you do this, it's a good idea to get in touch with your local Citizens Advice Bureau or another advice organisation. You'll find their details at the end of this section.

Don't be tempted to borrow more money to try and pay off your debts before getting some good advice.

Once you've sorted out a plan for your priority debts you need to tackle any other debts you have. How you do this really depends on whether you have any extra money to pay back the debts. If you do, you can try to come to an arrangement with the people who you owe money to, to freeze the interest added to your debt, which means it won't get any bigger. Then you can arrange to pay back a little bit every month.

Again, the Citizens Advice Bureau and other advice organisations can guide you through your options and help you talk to the people you owe money to. They can also explain your best options if you don't have any extra money to pay back debts.



Tackling debt (continued)

Here are a few of the agencies who can offer advice on how to tackle debt:

The Citizens Advice Bureau is a service that helps people resolve their legal, money and other problems by providing free information and advice from over 3,000 local branches. There is also an online and telephone service. Before you go to your local office gather together proof of your income, outgoings, the benefits that you get and any debts. This will give the advisor an idea of how they can help. www.adviceguide.org.uk

Each office has its own telephone number under C in your local phone book.

Money Advice Trust is a national debt helpline that provides free, independent advice to people with debt problems. The service employs trained telephone advisers to give confidential advice tailored to your needs.

www.nationaldebtline.co.uk

Freephone 0800 808 4000.

Offices open from 9am–9pm Mon–Fri and 9.30am–1pm on Saturdays. There is an answer machine to take messages when the offices are not open.

Community Legal Advice (CLA) will help provide free legal advice on how to deal with problems such as County Court Judgements or understanding your rights under a hire purchase agreement, plus debt advice online or over the phone.

www.clsdirect.org.uk/index.jsp?lang=en

Telephone: 0845 345 4345 – local rate call

National Association for the Care and Resettlement of Offenders (NACRO) can offer information and advice on a range of resettlement issues including debt.

Freephone number 0800 0181 259

email helpline@nacro.org.uk

How to look after your money

Most of us have heard stories about people stashing their money under the floorboards or in their mattresses but there are usually better and safer places to keep money.

Bank and building society accounts

The most common way to manage your money is to put it in a bank or building society. They'll open an account for you to keep your money in and you'll be able to get your wages or benefits paid straight into the account. When you need to spend your money, you can get it out of the bank as cash or organise for the bank to do things like pay bills for you.

Basic bank or building society accounts

There are lots of different sorts of accounts and it can be very confusing working out which sort is right for you. Banks and building societies have rules about what sort of account they will let you open.

Basic accounts are a good starting point (you may be able to open a basic bank account whilst you are in prison.) These are designed for people who have problems opening other accounts. This can happen because of a bad record of repaying loans or just because of a low income.

With a basic account, you get a cash card to withdraw money but you can only take out as much money as you have in your account. You'll also get a debit card with either the Solo or Electron logo on it. This lets you spend your money in shops, over the phone or on the Internet without having to take out cash. You can only spend as much money as you have so you won't end up with debts. You'll also be able to set up direct debits and standing orders, which let you pay things like bills straight from your account.

How to look after your money (continued)

As an ex-offender, you can contact any bank or building society. Banks are required by law to make sure that you are who you say you are so you'll need to take along some sort of personal identification. This can be:

- a driving licence with identity card
- a passport or
- a benefits book.

You'll also need to take along proof of where you live. Most banks accept:

- a utility bill in your name such as gas, electricity or water that is less than three months old
- a letter from your landlord or probation office confirming your address.

You will need to go in person to the bank or building society with your identification and fill out the forms needed to open the account. You should be able to do this in a private office and get help from a member of staff if you need it. You may have to wait for a day or two for the bank to make a decision and they will write to you either with your new account details or a reason why they will not open an account for you.

Letter of Authority

If you already have a bank account and are going away for a while, it's a good idea to get someone close to you to sign what's called a Letter of Authority. This means that they can get access to your account, perhaps to withdraw money you have left for them or to look after your account so things like new plastic cards (debit and credit cards) and statements don't get sent to your old address. Ask your bank or building society for advice on this.

Saving your money

Saving money on a low income is difficult but even by saving the odd 50 pence your savings can soon mount up. You can save money in an old jam jar if you like but it's a good idea to think about the benefits of saving in a more formal way. Your money will be safer and you won't be so tempted to 'borrow' it. The amount you have should also grow because the bank or building society will give you interest. That means they'll give you a bit of extra money as a reward for saving with them. See our section on Interest for more on this.



You can open a savings account at a building society, bank or through the Post Office. Or you could choose to save with a credit union.

Credit unions

Credit unions are great for people on low incomes. They are financial organisations run in the community by the community. They offer a place to save your money as well as providing low-cost loans.

You have to become a member of a credit union. Each one tends to have conditions of membership: for example you have to live or work in a particular area. Once you're a member, you save your money with the credit union and, in return, you get what is known as a dividend. This is an extra sum of money, like interest, that is usually paid to you once a year, so it will help your savings grow. The paying of a dividend is not guaranteed and is dependent on the year's profits for the individual union.

Saving your money (continued)

Credit unions (continued)

As a member of a credit union you will be offered other benefits such as:

- Free life insurance on your savings. This means that if you die, your family will have a small amount to help them during this difficult period. Do check with the credit union of your choice as they may have their own terms and conditions. These may include an age restriction.
- Cheap loans.

For more information on credit unions, you can contact the Association of British Credit Unions.

www.abcul.org/page/contact.cfm

Telephone: 0161 832 3694



Saving your money (continued)

Planning for the unexpected

Even if we're really good at sticking to a budget, life has a way of throwing up things that we weren't expecting. For example something might need to be replaced or repaired. We may have to spend extra money because of an emergency. Any of these can cause problems for your budget. That is why it makes sense to try to save up a bit of money rather than spend everything we have. It's also important to think about the extra money we usually end up spending at times like Christmas, birthdays and holidays.



What happens when you lose control of your spending?

If you spend more money than you have, you end up getting into debt. This means that you owe someone else the money you've spent. It may be a friend you've borrowed money from or perhaps a catalogue company or your bank. You can also run up debts by not paying for the things you're supposed to, for example your tax or rent.

Unfortunately, if you get into debt and don't pay back what you owe, your debt tends to get bigger, even if you stop adding to it. This happens in lots of different ways. You may get a fine for not paying for something on time and this will be added to the original amount you owe. You'll also probably be charged interest on the money you owe. This means that whoever has lent you money will charge you some extra money for borrowing it. The longer you go without paying it back, the more interest they'll add to the original amount you borrowed.

Understanding interest rates

When we're talking about money, the word 'interest' usually crops up in two different places. You hear people talking about the amount of interest they have earned on savings and also how their debts are growing because of interest.

But what exactly is interest?

Well, a good way to understand it is like this:

The money in a bank or building society doesn't just sit there. What you and other customers are doing is actually lending your money to the bank or building society to fund their activities. In return for this, they pay you an extra bit of money, which we call interest. How much interest you earn depends on where you put your money and how long you save it for.

At the other end of the scale, if you borrow money, whoever you're borrowing it from, usually charges you interest in exchange for lending you the money. They tend to do this because they want to make a profit on their money and because there's always some risk involved in lending people money. Out of the people you know, think about who you'd trust to pay you back if you lent them some money. Some would be sure to pay you back promptly while others would vanish forever, taking your money with them. Companies lending money face the same situation. You'll find that if you haven't paid back money in the past, you're likely either to be turned down when you ask to borrow money or charged a lot of interest. Not understanding about interest and how it piles up is one of the easiest ways to get into debt. Unfortunately, working out how interest is charged is complicated.

When we talk about how much interest we're being charged, we usually talk about it as a percentage of the amount we've borrowed. For example, we may say we've borrowed £1,000 at an interest rate of 10%. This means as well as paying back the original £1,000, we need to pay back another 10% on top of that, which works out as £100. Unfortunately, working out how much interest you'll be paying isn't as easy as this because of something called Compound Interest.

Understanding interest rates (continued)

Compound interest

Compound Interest means that as well as paying back interest on the original amount you borrowed, you also have to pay interest on the interest that has already built up. This means that the longer you have your debts the more they grow.

APR (Annual Percentage Rate)

If you're borrowing money, you'll come across the letters APR. This stands for Annual Percentage Rate. Anyone officially lending you money has to tell you what their APR is. They work this out by adding together the interest you'll be charged over a year plus any extra costs such as arrangement fees. The idea behind APRs is that they make it easier for you to compare the cost of borrowing. For example, one company might have an APR of 5% while another has one of 10%. (The lower the APR, the better.)

AER (Annual Equivalent Rate)

If you're saving money, the letters you'll come across are AER. This stands for Annual Equivalent Rate. This shows how much interest you'd get if you put some money into an account and left it there for a year. Again, using AERs, you can work out which bank or building society will help your savings grow fastest. (The higher the AER, the better.)

The 'Money Matters to Me' website has a number of calculators that can help you understand interest:

To work out how much you'll be paying if you take out a loan, go to:
www.moneymatterstome.co.uk/Interactive-Tools/LoanCalculator.htm

To work out how your money will grow if you save it, go to:
www.moneymatterstome.co.uk/Interactive-Tools/GeneralInterestCalculator.htm

Spending money

When we buy things, we pay for them in lots of different ways. We can hand over cash, write cheques or use a plastic card such as a debit or credit card.

Cheques

When you or your family opens a bank account, they may get a cheque book and cheque guarantee card to allow them to pay for things without using cash. They can write out a cheque to the person or business that they are paying and hand over a cheque guarantee card. This guarantees that they have enough money in their account to pay for what they are buying. Cheques are now used less and less as plastic cards become more popular. Some high street stores and many filling stations no longer accept cheques. Ex-offenders who are opening new basic bank accounts will not be offered a cheque book or cheque guarantee card.

Plastic cards

Plastic cards are now the most popular way to pay for things. They're easy to use and as well as using them in shops we use them to pay over the phone or on the Internet. We also use them to get cash out of the bank.

There are lots of different sorts of plastic cards:



Cash card

This is the simplest card. You can't use it to walk into a shop and buy anything with it. Instead, it allows you to take money out of a cash machine. See the section on using cash machines for more information.

Debit card

A debit card lets you use money straight from your bank account without having to take out cash. You hand it over at the checkout and the money is taken straight out of your account, providing you give them your Personal Identification Number (PIN). You can usually use your debit card at cash machines as well, enabling you to take out cash when you need it.

Spending money (continued)

Credit card

You use a credit card in the same way that you use a debit card. The two big differences are that:

- (1) the money you spend isn't taken out of your account
- (2) interest is charged straight away on any cash you withdraw using your credit card.

The credit card company keeps a list of everything you spend and turns this into a bill, which they usually send at the end of the month. If you don't pay back all you owe, you get charged interest. That means the amount you owe will get bigger and bigger. While credit cards are convenient and let us buy things before we actually have the money to pay for them, it's easy to get into debt using credit cards.



Store cards

Some shops have their own cards, called store cards. They are like credit cards but you can only use them at the shop that has issued them. You're often asked if you want to apply for one when you're paying for something at the checkout. Most store cards have a very high rate of interest, which can make your bills mount up quickly if you don't pay back everything you owe straight away.

Prepaid cash cards

You can use a prepaid cash card in the same places as a credit card. The difference is that you don't get a bill. Instead, you load money onto your card in much the same way that you load credits onto a prepaid mobile phone. If you lose your card, as long as you report it, you don't lose the money loaded onto it. Rented property often has meters which require this sort of card to pay for electricity or gas.

Chip and PIN (Personal Identification Number)

These days, plastic cards come with a Personal Identification Number (PIN). This is a four-digit number that will be sent to you by your bank, building society or credit card company. It's really important to learn this number rather than carry it about with you. You need to make sure that no one else knows it because if they do, they can get hold of your money.



We use a PIN to get cash out of cash machines and for purchases made in places such as shops and restaurants. You're asked to put your card into a small machine at the checkout and punch in your PIN.

The 'Chip' is a microchip embedded in all cards; it holds your personal account details. If the card becomes damaged, it will stop working.

The Money Matters to Me website has a Chip-and-PIN simulator to help you learn how to use your cards. You'll find it at: www.moneymatterstome.co.uk/1-What-money-is-and-money-exchange/Sub1/ChipAndPin.htm

The interactive Chip and PIN is also available on the CD-ROM supplied inside the front cover of this guide. You will need a computer but you do not need Internet facilities to use it.

Cash machines

Cash machines are the machines we use to take money out of our accounts. They are really called ATMs, which stands for Automated Teller Machines, but most of the time you hear them called cash machines, cash points or even the 'hole in the wall'. You find them set into the wall outside banks and building societies and also in stations, post offices and supermarkets.

To use a cash machine, you'll need a plastic card such as a cash card, debit or credit card and your PIN. Then you just put your card into the slot in the machine and follow the instructions on the screen. Some companies charge you to use their ATMs. A message will be displayed on the screen and you have a choice to carry on with the transaction or withdraw your card.

Chip and PIN (continued)

As well as taking out money, you can often do other things at cash machines such as pay in money, pay bills and find out how much money is in your account.

Key points to remember:

- Don't stand close to anyone using a cash machine and make sure no one stands close to you. This is because you need to keep your PIN number private.
- Some cash machines charge you for taking out money while others are free. If you want your money to go further, stick to the free ones.
- If you take cash out using your credit card, you will be charged interest straight away. With a debit or cash card, as long as you have money in your account, you won't be charged interest.
- Ask for a receipt when you take out cash so you can remember how much you're spending and have a record of it.
- Always double-check that you haven't left your card, cash or receipt in the machine.
- Cash machines sometimes get tampered with by people trying to steal your card details and money. If the machine doesn't look right, don't use it and report it.



To have a go at using a cash machine, visit the Money Matters to Me website. It has a simulator that you can practise with. You'll find it at: www.moneymatterstome.co.uk/Interactive-Workshops/ATM.htm

Protecting your identity

Identity theft happens when someone steals your name and personal information to commit fraud. They might do this by running up credit card debts in your name or using your information to take out loans. Unfortunately, it is one of the UK's fastest growing crimes. It can cause real problems in our financial lives, particularly for people on low incomes who don't have money to fall back on.

There are a number of steps you can take to protect yourself:

Take care with your personal details

- Rip up or shred personal documents including envelopes that have your name and address on them before you throw them out.
- Don't give out personal details over the phone or by email unless you are absolutely sure you know who you are dealing with.
- NEVER give out your PIN to anyone.
- Your bank or building society won't send you emails asking for information like this so if you receive any, they will be false.

Take care online

- If you bank, book tickets or shop over the Internet, do not use the same passwords for all your accounts or store details on a computer.
- When shopping online look for the https:// in the navigation bar – this means the site is secure. Up-to-date antivirus software and a firewall also help to stop hackers, (people who obtain access to someone else's computer system without permission, often to find out personal information or do something illegal).

Chip and PIN

Shield your number from those people who are nearby, using your hand or body, and don't use the same PIN for all your cards.

Protecting your identity (continued)

Check your statements

Bank and credit card statements need careful checking to pick out any unexpected purchases or withdrawals.

Moving house or flat

You are more at risk when you move home so make sure that no mail is sent to your old address.

Report it

If you are a victim of fraud, report it to the police straight away. They will give you an incident number. Report a missing or stolen card to your credit card company straight away.

Check your credit rating

Our section on your credit history explains how to do this.



Your credit history explained

If you want to open a bank account, take out a credit card or borrow money in general, the company you borrow from will want to know a bit about you so they can decide if they should lend to you or not. To make this decision, they look at your credit history. This is made up of information about money you have borrowed and how you have paid accounts in the past. It usually includes information from the past six years and is held by companies called credit reference agencies. The agencies get this information from a number of places including:

- public records such as the electoral roll or listings of bankruptcies and court judgements
- financial information supplied by banks, credit card companies and so on.

Looking at your own credit reference file

Your credit reference file is made up of important information about you and, by law, a company has to ask your permission to look at it. They usually do this on the application form when you are applying for a card, account or loan. You are also allowed to see your file. To do this, you need to write to the credit reference agencies asking for what is known as your 'statutory credit report'. This costs £2; when you write to the agency, you should include:

- your full name
- date of birth
- current address
- any other addresses you have lived at over the past six years.

The credit reference agency must then send you your file within seven working days.

Your credit history explained (continued)

Why would I want to see my file?

There are a number of reasons why people ask to see their files:

- If you are thinking of applying for something like a loan or credit card, it can be helpful to know what your file says about you.
- If you have applied for some sort of credit and been turned down, your credit reference file will help you understand why.
- By knowing what your file says about you, you can start to take any necessary steps to repair your financial record, for example by paying back debts.
- Information held by credit reference agencies can sometimes be wrong. By looking at your file, you can make sure that companies are basing their decisions on the right information.

You can contact the three main credit reference agencies at:

Experian

www.experian.co.uk

Tel: 0870 241 6212 (local rate call)

Call Credit

www.callcredit.co.uk/home

Tel: 0870 060 1414 (local rate call)

Equifax

www.equifax.co.uk

Insurance

None of us knows what is going to happen in the future. There's no way of telling if one day we're going to crash our car or come home to find we've been burgled. But what we can do is protect ourselves financially when things like this go wrong. This protection is called insurance.

These days you can get insurance for almost anything. You've probably heard stories of film stars insuring their bodies or voices. For most of us, there are just a few sorts of insurance to consider.

- **Car insurance.** It's illegal to drive a car without insurance so this one is a priority if you're thinking of driving again.
- **Buildings insurance.** Most people who own their own homes have buildings insurance. This means if something like a fire or flood happens the insurance company will give them some money to repair the damage. If you rent a home, your landlord should pay the buildings insurance.
- **Home contents insurance.** This covers the contents of your home, which means items like your furniture, television or CD collection, against things such as theft or flood. If you're renting a home, it is usually you who must pay this.
- **Life insurance.** Some people take out life insurance, which means that if they die, someone close to them such as a husband, wife or child will get a sum of money to help them carry on living. This is particularly important if you're the one earning most of the money in your family.

How insurance works

Insurance can seem complicated but the basic principles are quite straightforward:

- An insurance company works out how likely it is that an accident or event will happen and what it would cost to put it right.
- Based on this, the insurance company sets a premium. This is the amount it asks you to pay in order to protect yourself against the accident or event. The cost of the premium is often spread across a year so you pay it on a monthly basis.

Insurance (continued)

- If whatever it is you have insured yourself against happens, you then make a claim to your insurance company and it pays out the agreed amount.

Important information about insurance for ex-offenders and your families

As an ex-offender, when applying for insurance, you must disclose your unspent conviction(s) even if not asked. It is an offence not to.

Although this may make you feel as if you are still being punished for your offence, it is very important to do this.

If you do not disclose unspent convictions and you need to make an insurance claim, you may find that the insurance company doesn't pay out.

Don't be tempted to put the insurance in someone else's name, as this also will make your insurance invalid.

How to get insurance

Organisations like NACRO, the YMCA, SOVA, Apex Trust and UNLOCK are amongst those offering this service. Your resettlement department or probation office will be able to give you contact details for insurance companies that offer ex-offenders and their families insurance. Many have a great deal of experience in this field so do be honest.

And as with all services, it is good to shop around to get the best value for your money.

Do check:


- what is and is not covered by any insurance policy,
- what the excess is (this is the first part of any insurance claim that you are expected to pay),
- payment terms (it is possible to pay in instalments in some cases).

John keeps track of his money - example explained

In the example on the next card, the money coming in on the 30th is £110 from John's job, but on the same day he had to buy a bus pass, which cost £25. This amount has to be deducted from the £110, leaving £85 to spend.

John spent £50 on food and necessities at the local supermarket, which needs to be taken away from the £85, leaving him with £35. His mobile phone needed a 'top-up' so he spent £10 on this, leaving him with £25, which he doesn't spend that week.

John again earns £110 the next week, which he adds to the £25 left from last week, which makes £135. John knows that his electricity bill needs paying and also his phone will need topping up again, and of course he needs to eat so he takes these amounts off what he has to spend. Straight away John can begin to see where his money is going. He knows what he can afford and because he has made a list of all his outgoings and when they are due he can plan to have money to cover this to avoid debt. If he can save a little each week, he will have a small nest-egg for emergencies or special occasions.



Date		Money I Spend	Money I Get
Oct 1	Rent	400.00	
Oct 1	Train ticket	85.40	
Oct 2	Supermarket	16.82	
Oct 3	Phone Bill	31.69	
Oct 5	Hairdresser	10.00	
Oct 7	Clothes	45.32	
Oct 9	Supermarket	25.50	
Oct 10	Gas Bill	30.00	
Oct 11	Cinema	15.50	
Oct 13	Supermarket	11.50	
Oct 14	Eat out	10.50	
Oct 15			
Sum		682.23	1500.78
			Monthly Salary 1500.78

So, week by week he keeps track of money coming in and money going out using this pad.

This is what John's 'Keeping Track of Your Money Pad' looks like

Date This is to list when your money comes in and goes out	Money coming in (wages and/or benefits)	£ (IN)	Money going out (money you spend on goods or services)	£ (OUT)	The money you have left.
30th	Wages	110.00	Travel permit	25.00	85.00
			Food	50.00	35.00
			Top-up for phone	10.00	25.00
7th	Wages	110.00			135.00
8th			Electricity for the month	35.00	100.00
			Top-up for phone	10.00	90.00
			Food and other shopping	60.00	30.00
13th	Benefits	300.00	New coat	65.99	264.01
			Gas bill for the month	41.00	223.01
			Council tax for the month	78.00	145.01

