



ABINGDON

*Money Matters  
Seminar Series*

# Banking

6<sup>th</sup> Form Career Guidance Programme 2019/20

In association with  
Timms Wealth Management  
a St James's Place Practice



ST. JAMES'S PLACE  
WEALTH MANAGEMENT

# Agenda

- Banking Organisations and Key Terms
- Types and Features of Bank Accounts
- Cheques and Paying-In Slips

# Types of Banking Organisations

## Retail Banks

(owned by and operated to benefit shareholders)



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## Building Societies

(owned by and operated to benefit members = account holders)



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## Government

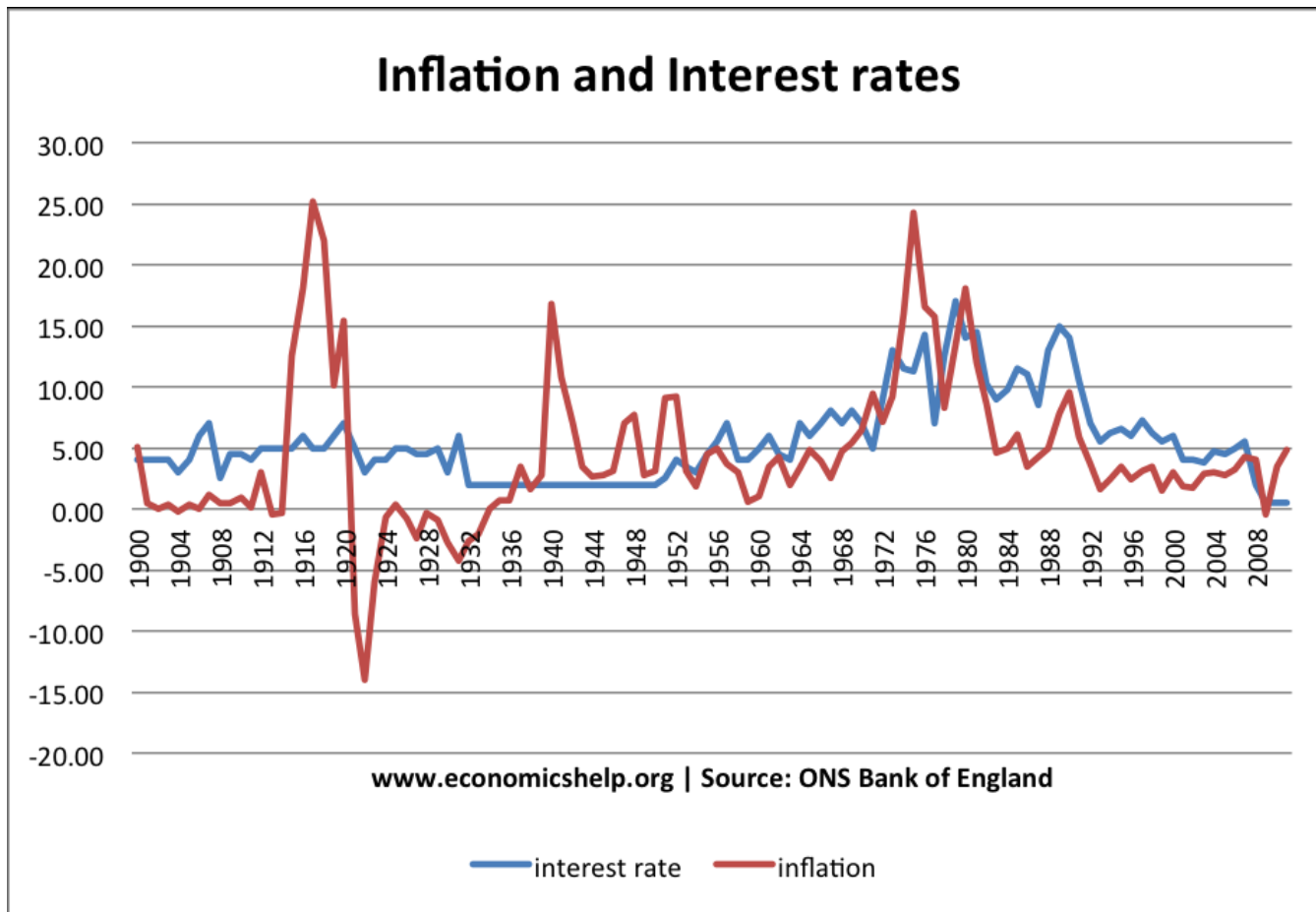
(owned by and operated to benefit government)



# Key Banking Terms

<b>Deposit</b>	Putting money in (cash, cheque)
<b>Withdrawal</b>	Taking money out (cash)
<b>Transfer</b>	Moving money (you-you, you-them)
<b>Payment</b>	Paying a debt (bill, credit card)
<b>Direct Debit/Standing Order</b>	Automated debt payment (bill, credit card)
<b>Balance</b>	How much £ is in bank account
<b>Statement</b>	Monthly summary of transactions (in/out)
<b>Sort Code (12-34-56)</b>	Identifies local branch of bank account
<b>Account Number (12345678)</b>	Identifies your specific bank account
<b>Debit Card</b>	You pay from your bank account
<b>Credit Card</b>	Card issuer pays and you reimburse
<b>Overdraft</b>	Loan made for overspending (negative £)
<b>Interest</b>	Money paid to you for loaning your money

# Two ways to pay interest: *Fixed or Variable Rate* *Which is Better?*



# 6 Main Types of Bank Accounts\*

1. Current Account
2. Regular Savings Account
3. Easy Access Savings Account
4. Notice Savings Account
5. Savings Bond (Fixed Rate)
6. Individual Savings Account (ISA)



*4 Types of Savings Accounts*

*\*Not Covering: Investment Accounts & Pensions*

# Features of Bank Accounts

<b>Are there minimums?</b>	Open, deposit, balance
<b>Are there maximums?</b>	Open, deposit, balance, withdrawal
<b>Can I pay bills with account?</b>	Cheque, Transfer, Debit Card, Direct Debit, Standing Order
<b>Can I withdraw cash from account?</b>	<u>Periodically</u> , ATM or at branch
<b>Can I transfer money electron.?</b>	Online, mobile phone payments
<b>Can I immediately close account?</b>	Within a day or two
<b>Does account earn interest?</b>	Fixed, Variable, or combo (Fix > Var)
<b>Do I pay tax on earned interest?</b>	Above personal saving allowance

# 1. Current Accounts

**Why have one?** To make frequent deposits, withdrawals, transfers, and/or payments

Feature	Current Account
Are there minimums?	No
Are there maximums?	No
Can I pay bills with account?	Yes
Can I withdraw cash from account?	Yes (at ATM or branch, daily limit applies)
Can I transfer money electron.?	Yes (if bank offers internet or mobile banking)
Can I immediately close account?	Yes, same day
Does account earn interest?	Not usually, but some banks offer interest. If offered, interest rates are POOR
Do I pay tax on earned interest (above personal saving allowance)?	Yes, if interest is paid (which is rare)



## 2. Regular Savings Accounts

**Why have one?** To earn interest on monthly savings, and be able to get to your money if you need it quickly

Feature	Regular Savings Account
Are there minimums?	Yes, to open and on deposits (£10-25)
Are there maximums?	Yes, to open and on deposits (£200-£250)
Can I pay bills with account?	No
Can I withdraw cash from account?	Not usually. If allowed, penalties will apply (such as a fee and/or reduced interest rate)
Can I transfer money electron.?	Yes (if bank offers internet or mobile banking)
Can I immediately close account?	Yes, same day or just thereafter. Automatically closes after 12 months.
Does account earn interest?	Yes, at a fixed (unchanged) rate. Interest rates are relatively GOOD.
Do I pay tax on earned interest (above personal saving allowance)?	Yes

# 3. Easy Access Savings Accounts

**Why have one?** To earn interest on lump sum savings, and be able to get to your money if you need it quickly

Feature	Easy Access Savings Account
Are there minimums?	No
Are there maximums?	Yes, usually a max balance, but it's quite a lot!
Can I pay bills with account?	No
Can I withdraw cash from account?	Yes (at branch only, daily limit applies)
Can I transfer money electron.?	Yes (if bank offers internet or mobile banking)
Can I immediately close account?	Yes, same day or just thereafter
Does account earn interest?	Yes, usually at variable (changeable) rate. Interest rates are OK.
Do I pay tax on earned interest (above personal saving allowance)?	Yes

# 4. Notice Savings Accounts

**Why have one?** To earn good rates of interest on lump sum of savings, in exchange for restricting access to money (1-6 months)

Feature	Notice Savings Account
Are there minimums?	Yes, usually £1,000 to open, but can be less
Are there maximums?	Yes, usually a max balance, but it's quite a lot!
Can I pay bills with account?	No
Can I withdraw cash from account?	No
Can I transfer money electron.?	Yes (if bank offers internet or mobile banking)
Can I immediately close account?	No, read terms. <u>Severe</u> penalties will apply.
Does account earn interest?	Yes, at a variable (changeable) rate. Interest rates are relatively GOOD.
Do I pay tax on earned interest (above personal saving allowance)?	Yes

# 5. Savings Bond (Fixed Rate)

**Why have one?** To earn better rates of interest on lump sum of savings, in exchange for restricting access to money (1-5 years)

Feature	Savings Bond (Fixed Rate)
Are there minimums?	Yes, usually £1,000 to open, but can be less
Are there maximums?	Yes, usually a max balance, but it's quite a lot!
Can I pay bills with account?	No
Can I withdraw cash from account?	No
Can I transfer money electron.?	No transactions once opened
Can I immediately close account?	No, read terms. <u>Severe</u> penalties will apply.
Does account earn interest?	Yes, at a fixed (unchangeable) rate. Interest rates are relatively VERY GOOD.
Do I pay tax on earned interest (above personal saving allowance)?	Yes

# 6. Individual Savings Accounts (ISA)

**Why have one?** To earn tax-free interest on regular monthly and/or lump sum of savings to save for different purposes

Feature	Cash Individual Savings Account (ISA)*
Are there minimums?	Sometimes there is a minimum to open
Are there maximums?	Yes, £20,000/year is current annual max deposit, which is a lot! Use in several ISAs.
Can I pay bills with account?	No
Can I withdraw cash from account?	Yes (at branch only, but a fee might apply)
Can I transfer money electron.?	Yes (if bank offers internet or mobile banking)
Can I immediately close account?	Yes, but a notice period might apply
Does account earn interest?	Yes, at a variable (changeable) rate. Interest rates are OK.
Do I pay tax on earned interest (above personal saving allowance)?	No

\*There are five types of ISAs – this describes the most common type, the Cash ISA

# ISAs - Quick Glance

\*£20,000 annual limit is spread across *all* of your ISA portfolio in total per year

\*\*FSCS protection per person per financial institution

\*\*\*Returns are indicative only and are subject to the provider and/or what you invest in. Investments may go up as well as down and you may get back less than you put in

	ANNUAL ALLOWANCE* (2019/20)	FSCS PROTECTED? **	GOVERNMENT CONTRIBUTION?	TYPICAL RETURNS ***
<b>CASH ISA</b> Savings	£20,000	YES - £85,000	NO	1% interest
<b>STOCKS &amp; SHARES (S&amp;S) ISA</b> Investing	£20,000	YES - £50,000	NO	6 - 7%
<b>JUNIOR ISA</b> Savings (for child)	£4,368	Cash - £85,000 S&S - £50,000	NO	Cash: 1% interest S&S: 6 - 7%
<b>LIFETIME ISA</b> Savings (for retirement)	£4,000	Cash - £85,000 S&S - £50,000	YES - 25%	Cash: 1% interest S&S: 6 - 7%
<b>HELP TO BUY ISA</b> Save to buy home	£2,400	YES - £85,000	YES - 25%	2.5% interest
<b>INNOVATIVE FINANCE ISA</b> Peer-to-peer lending	£20,000	NO	NO	8 - 9%

# How to Write a Cheque

The image shows an HSBC cheque with the following details:

- Date:** 10/01/xx
- Payee:** John Smith
- Amount:** £ 75.23
- Amount Spelled Out:** Seventy-five pounds 23p only
- Signature:** Unusual B. Triff
- Counterfoil:** 100032
- Bank Details:** HSBC, PRAMA HOUSE BANBURY ROAD, SUMMERTOWN OXFORD OX2 7HY, TEL 08457 70 70 70
- Account No.:** 40-35-35
- Sort Code:** 100032
- Cheque No.:** 251109

Pink arrows point to the following fields:

- Payee:** Points to "John Smith".
- Date:** Points to "10 January 20xx".
- Counterfoil: Repeat Info:** Points to "100032".
- Amount (£ Spelled Out):** Points to "Seventy-five pounds 23p only".
- Cross Line:** Points to the horizontal line across the amount.
- Signature:** Points to "Unusual B. Triff".
- Amount (Figures):** Points to "£ 75.23".

# How to Complete a Paying In Slip

Date ↓

Items in Deposit ↓

Date <u>10/01/20XX</u>	Date <u>10/01/20XX</u> bank giro credit																															
Cashier's Stamp	HSBC Bank plc OXFORD SUMMERTOWN ACCOUNT MR M B TRIFF PAID IN BY <i>Murray B Triff</i>	£50 Notes £20 Notes £10 Notes £5 Notes S&I Notes Coin (See over) TOTAL CASH Cheques, POs (See over)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>£50 Notes</td><td></td><td></td></tr> <tr><td>£20 Notes</td><td>40</td><td>00</td></tr> <tr><td>£10 Notes</td><td>20</td><td>00</td></tr> <tr><td>£5 Notes</td><td>10</td><td>00</td></tr> <tr><td>S&amp;I Notes</td><td></td><td></td></tr> <tr><td>Coin (See over)</td><td></td><td>5 00</td></tr> <tr><td>TOTAL CASH</td><td></td><td></td></tr> <tr><td>Cheques, POs (See over)</td><td></td><td>10 00</td></tr> </table>	£50 Notes			£20 Notes	40	00	£10 Notes	20	00	£5 Notes	10	00	S&I Notes			Coin (See over)		5 00	TOTAL CASH			Cheques, POs (See over)		10 00					
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Counterfoil:  
Repeat Info

#  
Cheques  
(if any)

Signature

Deposit  
Total