



ABINGDON

*Money Matters
Seminar Series*

Banking

6th Form Career Guidance Programme 2019/20

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



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)



Building Societies

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



Government

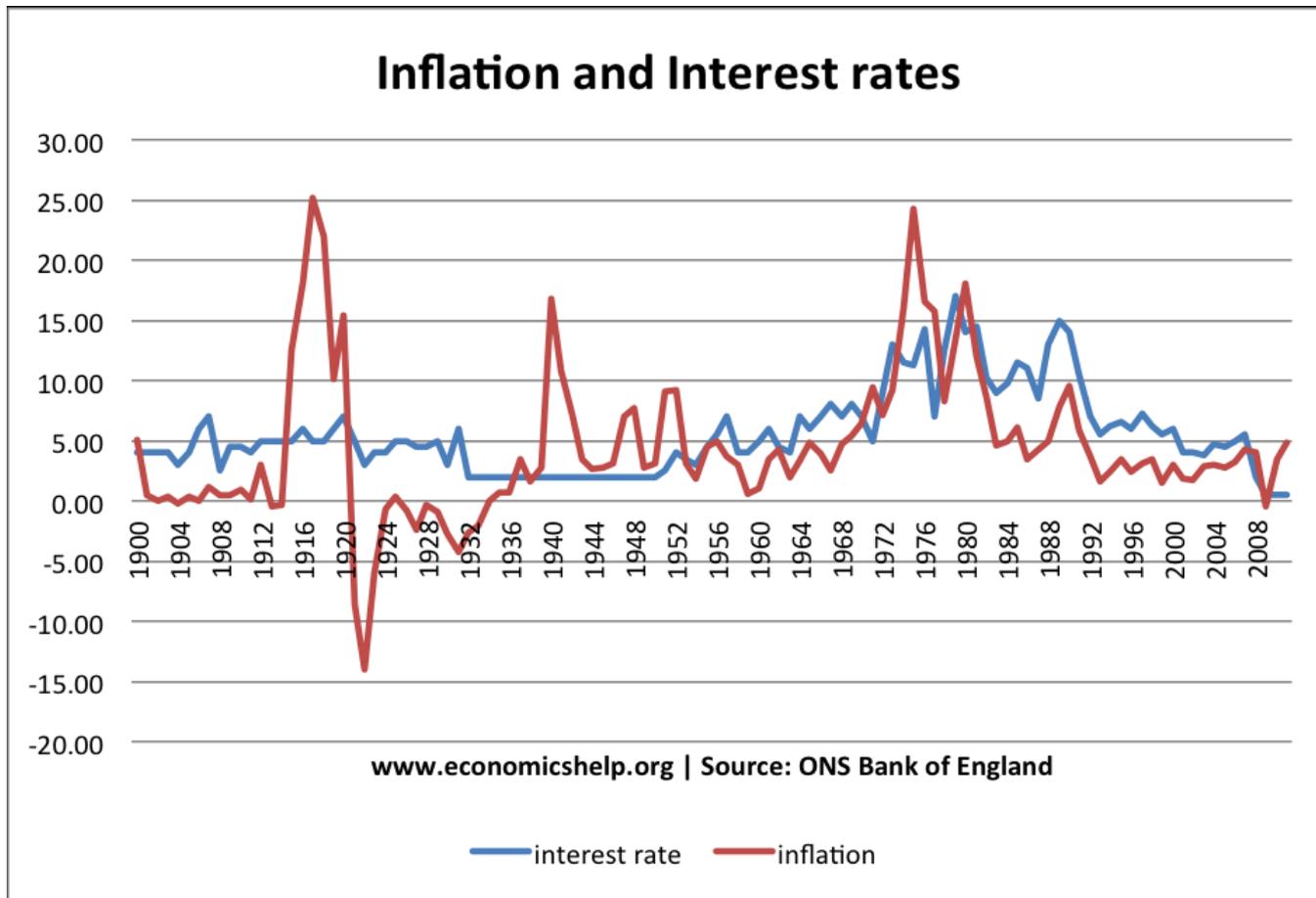
(owned by and operated to benefit government)



Key Banking Terms

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

Are there minimums?	Open, deposit, balance
Are there maximums?	Open, deposit, balance, withdrawal
Can I pay bills with account?	Cheque, Transfer, Debit Card, Direct Debit, Standing Order
Can I withdraw cash from account?	<u>Periodically</u> , ATM or at branch
Can I transfer money electron.?	Online, mobile phone payments
Can I immediately close account?	Within a day or two
Does account earn interest?	Fixed, Variable, or combo (Fix > Var)
Do I pay tax on earned interest?	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 ***
CASH ISA Savings	£20,000	YES - £85,000	NO	1% interest
STOCKS & SHARES (S&S) ISA Investing	£20,000	YES - £50,000	NO	6 - 7%
JUNIOR ISA Savings (for child)	£4,368	Cash - £85,000 S&S - £50,000	NO	Cash: 1% interest S&S: 6 - 7%
LIFETIME ISA Savings (for retirement)	£4,000	Cash - £85,000 S&S - £50,000	YES - 25%	Cash: 1% interest S&S: 6 - 7%
HELP TO BUY ISA Save to buy home	£2,400	YES - £85,000	YES - 25%	2.5% interest
INNOVATIVE FINANCE ISA 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 <hr/> ACCOUNT MR M B TRIFF <hr/> PAID IN BY <i>Murray B Triff</i>																																																							
<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 style="text-align: center;">40 00</td><td></td></tr> <tr><td>£10 Notes</td><td style="text-align: center;">20 00</td><td></td></tr> <tr><td>£5 Notes</td><td style="text-align: center;">10 00</td><td></td></tr> <tr><td>S&I Notes</td><td></td><td></td></tr> <tr><td>Coin</td><td style="text-align: center;">5 00</td><td></td></tr> <tr><td>TOTAL CASH</td><td></td><td></td></tr> <tr><td>Cheques, POs</td><td style="text-align: center;">10 00</td><td></td></tr> <tr><td>£</td><td style="text-align: center;">85 00</td><td></td></tr> </table>	£50 Notes			£20 Notes	40 00		£10 Notes	20 00		£5 Notes	10 00		S&I Notes			Coin	5 00		TOTAL CASH			Cheques, POs	10 00		£	85 00		No. of items <div style="border: 1px solid black; padding: 2px; display: inline-block;">1</div>	<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 style="text-align: center;">40 00</td><td></td></tr> <tr><td>£10 Notes</td><td style="text-align: center;">20 00</td><td></td></tr> <tr><td>£5 Notes</td><td style="text-align: center;">10 00</td><td></td></tr> <tr><td>S&I Notes</td><td></td><td></td></tr> <tr><td>Coin (See over)</td><td style="text-align: center;">5 00</td><td></td></tr> <tr><td>TOTAL CASH</td><td></td><td></td></tr> <tr><td>Cheques, POs (See over)</td><td style="text-align: center;">10 00</td><td></td></tr> <tr><td>£</td><td style="text-align: center;">85.00</td><td></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		£	85.00	
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Please do not write or mark below this line or fold this voucher

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Counterfoil:
Repeat Info

Cheques
(if any)

Signature

Deposit
Total