

Financial Guide

Business and finance
Intermediate



INTRODUCTION



The unit I have been studying involves learning about planning, managing and controlling my finance. As I have seen from class discussions and through the personal budget that I draw up. It took a lot of self-discipline and skill to plan my finance.

Sometimes it gets so complicated that we need the help of experts to advise us about ways to plan, manage and control our finances.

For this assignment I will have to do the following ~

- 1 ~ To produce a guide for a young employed adult.**
- 2 ~ This guide must contain information that will help him/her to understand:**
 - 2.1 ~ Why it is important to plan their finance.**
 - 2.2 ~ Where they can get advice to help them in their financial planning.**
 - 2.3 ~ What financial services are available from banks and other financial institutions.**
 - 2.4 ~ Most people need a loan of some sort, it will also be helpful if you can give them information about different types of borrowing and how they can use these loans.**
 - 2.5 ~ You also need to advise them about methods of ensuring accuracy of financial records.**

MY PLAN

Plan, managing and controlling finances

Step one ~

- **Title page.**



- **Introduction.**
- **Plan.**

Step two ~ Why is it important to plan your finance?

- **Benefits.**
- **Included own personal budget.**

Step three ~ Where they can get advice from?

- **Search for information.**
- **Banks**

- Internet.
- Citizen's advice centre.
- Publications.

Step four ~ Produce questionnaire to send to banks.

Step five ~ What financial services are available from banks and other institutions?

- Go to bank web site.

Step five ~ Types of loans?

- What APR means?
- Visit banks web sites.

Step six ~ Methods of accuracy?

- Accurate presentation

PLANNING, MANAGING AND CONTROLLING YOUR FINANCES.

Planning your finances is concerned with how much money is coming in and out of e.g. your bank. How to reduce the level of money leaving your account and the amount that you spend and the amount you save. Planning, managing and controlling your finances saves time and money. When you plan your finances you have total control over the amount which you spend and pay out. When you plan your finances you can keep track off your money coming in and out of your bank.

If you don't plan your finance then you would not know where bouts your money has gone and it would be more that you would spend more money then somebody who plans and controls their money.

Advantages.	Disadvantages.
You have control over your money.	Unwanted money could be spent.
It can save you money and time.	Tend to have fewer savings.
Can limit the amount you spend.	Wouldn't have complete control.

Below is an example of an personal budget (cashflow forecast)

	JANUARY	FEBRUAR Y	MARCH	APRIL
BANK BALANCE	£ -	£ 80.00	£160.00	£ 240.00
INCOME				
WAGES	£ 240.00	£ 240.00	£240.00	£ 240.00
EMA	£ 120.00	£ 120.00	£120.00	£ 120.00
TOTAL	£ 360.00	£ 360.00	£360.00	£ 360.00
OUT GOING				
RENT	£ 40.00	£ 40.00	£ 40.00	£ 40.00
BUS FAIR	£ 8.00	£ 8.00	£ 8.00	£ 8.00
FAGS	£ 25.00	£ 25.00	£ 25.00	£ 25.00
PERSONAL	£ 20.00	£ 20.00	£ 20.00	£ 20.00
PRINTER INK	£ 25.00	£ 25.00	£ 25.00	£ 25.00
COMPUTER PAYMENT	£ 90.00	£ 90.00	£ 90.00	£ 90.00
CLOTHES	£ 60.00	£ 60.00	£ 60.00	£ 60.00
TOTAL	£ 268.00	£ 268.00	£268.00	£ 268.00
BANK				
STAY IN	£ 80.00	£ 80.00	£ 80.00	£ 80.00
STAY OUT	£ 288.00	£ 288.00	£288.00	£ 288.00

Financial Services

There are a number of different types of financial services available and many have different options attached. Below are some types of financial services that are available from HSBC plc.

Select current account.

The select current account can save you money, get all the banking services you expect. The services that are on offer are:

- £50 interest free overdraft.
- High interest on your savings by 0.5%
- Discounts on standards loans with a select loan.
- Card protection worth up to £12 a year.

This select current account can save you money in many ways from an interest free overdraft to discounted rates on a personal loan. Savings with the select loan are all yours for £4.00 a month. The select current account usually charges £4.00 a month for there services.

Gold service account.

If you want to get more out of life then the gold service current account is right for you. The account gives you worldwide travel insurance

This account also offers other key features such as

- Commission free travellers cheques and currency.
- £100 interest free overdraft.
- Gold service current account card.
- Discounts on standards loans.

The gold current account usually charges £8.00 a month.

Platinum current account.

The platinum current account could be for you if you want the best service with the unique offers that also come with this service. The Platinum current account brings you some of the best offers available. The current account offers the very best benefits and savings on a whole range of banking and other services. With this account you could enjoy world wide travel insurance and even have AA protection cover. The Platinum account usually charges a total of £12 a month for their services.

Tax free savings.

How can savings be tax-free?

The Government has introduced Individual Savings Accounts (ISA) as a way of saving without paying income tax or capital tax gains on money made. These are a simple and flexible way to save and invest for anyone who is 18 or over and resident in the UK for tax purposes.

This is how they work.

An ISA is a tax-free investment, the savings components in an ISA are as follows:

- Cash - this can include bank and building society accounts, cash Unit Trusts and some National Savings products.
- Stocks & Shares - this can include equities, investment trusts, bonds and unit trusts.
- Insurance - this can contain life cover or savings products which include life cover as a benefit. Barclays does not currently offer an insurance component.
- Minimum withdrawal amount of £10.00.

You can invest up to the amount of £7,000 per year and the maximum subscription limit will stay at this level until 2006. You can withdraw money at any time, although you will not be able to replace

money that you have withdrawn in the same tax year.
There are three different kinds of ISA and they are:

Maxi ISA.

A Maxi ISA is when you choose one manager for all your tax-free investments. You can invest up to £7,000 this tax year 2001 and the maximum subscription limit will stay at this level until 5th April 2006. The Maxi ISA currently offers stocks and shares component and a cash component. If you would like to set up a maxi ISA then you would have to speak to an adviser at a bank so that they can help you to set up your Maxi ISA.

Mini ISA.

Investing in a Mini ISA means you can choose up to three different ISA managers, one for each type of component.

Each Mini ISA can consist of any one of the following.

The subscription limits will also stay at this level.

- Up to £3000 in stocks.
- Up to £3,000 in cash.
- Up to £1,000 insurance.

The HSBC Mini ISA range currently only offers a stocks and shares Mini ISA and cash Mini ISA.

Tessa ~ only ISA.

The tessa only ISA at HSBC has a maturing TESSA, (Tax Exempt Special Savings Account) Tessa is a five year savings plan under which investors do not have to pay taxation on the interest earned. Up to £9,000 of the maturing capital can be transferred into this cash ISA.

Long Term Investments

If you're committed to saving in the longer term

Generally speaking there are two ways of managing your savings long-term:

- Savings - cash in high interest deposit accounts. E.g. you could put a deposit of £50.00 into your investment and then you would receive the high interest rates.
- Equities - investing in the performance of companies on the stock market.

Both have different levels of risk and reward.

And both have products that can be arranged to provide you with an income from your savings. No matter what kind of savings or investments you choose to make, you can consider protecting part of your savings e.g. income. (Liability to tax may be subject to change in the future, and is dependent on individual circumstances).

Why An Overdraft

An overdraft is specifically designed as a one off short-term requirement for that unexpected expenditure. The overdraft is made available on your current account for a set period (max. 6 months). During this period you can overdraw by up to the agreed amount without notifying your bank in advance. Once the set period has expired any outstanding overdraft must be cleared or converted to a loan.

Personal overdrafts

Helping you to cope with whatever life throws at you e.g. you have just lost your job through suddenly having a very bad illness. Most of you will find that you need a little help from time to time.

No matter how well you plan your finances, there can still be occasions when your money just doesn't go quite far enough.

That's when a Personal Overdraft can help you to cope financially. An overdraft is easy to arrange.

You'll need to have a Current Account to get a Personal Overdraft.

Many customers pre-agree a Personal Overdrafts limit - With a personal overdraft you can:

- you can borrow funds: (subject to status)
- you don't pay for it if you don't use it, and if you do you'll pay interest on the amount you're overdrawn plus a monthly fee
- If you're overdrawn for less than 3 days or by less than £20 you won't pay a usage fee.

An overdraft can be very useful but who pays it back if you're unlucky enough to fall ill, have an accident or lose your job through no fault of your own? If you're got an agreed overdraft and you're under 65, a Personal Overdraft Protection can help with repayments for up to a year.

Internet banking

Internet banking gives you access to your account at anytime between 4am and midnight, 7 days a week. This service is free and all you pay

for is the access to the Internet. The Internet service from HSBC offers you the following:

- Check your balance and transactions on your account.
- Transfer money between your own accounts.
- Pay your bills
- Print out your statements

TYPES OF LOANS

Loans are the lending of a sum of money. A loan can either be secured or unsecured. There will also be a number of conditions attached to a loan and below are some types of different loans.

Personal Loans.

If you want to make a major purchase, or pay off some debts and you're 18 or over, a Personal Loan could be the answer.

Put all your borrowing into one loan A Personal Loan could help you take control of your finances and reduce your monthly outgoing by allowing you to put all your borrowing into one loan. You could use your loan to pay off all your borrowing, which means you won't have to worry about making separate payments to each lender. Whatever your situation, you may find that a Personal Loan could make life easier for you. Of course you may need a Personal Loan for other reasons, to cover the cost of new furniture, for example. Perhaps you've seen something you want, at a price not to be missed, why not apply for a Personal Loan? The loan will be at a fixed rate of interest with the repayments spread over affordable monthly instalments.

You can choose a loan amount and repayment period that suits your circumstances.

Select loan.

A select loan is especially for select current account customers. A select loan gives you special discounts on standard loan rate. You can use the loan to get a better deal on whatever you want to buy. It could even help you pay off any credit cards or other loans you might have and save on the interest charges.

You can apply for any amount usually from £3,000 to £25,000 and the money would be ready to have from the following day. To find out more information about this loan then you would have to call in to your local bank and ask for details.

Gold service loan.

A gold service loan is reserved specially for gold service current account customers. You can benefit from the interest rates on the loan with savings on the standard loan rate. With a gold service loan you can enjoy life more, you could buy a special gift, or take a holiday you've always wanted.

You can apply for an amount from £5,000 to £25,000 to spend as you please, you can then spread your repayments over anything from 6 months to five years.

Standard loan.

With a standard loan you get the flexibility to buy almost anything you want and spread the cost to fit in with your budget. This loan is a simple way to pay for larger, most expensive items like new furniture. A standard loan is quick and easy to apply and if you choose the option "buy now pay later" then you could have nothing to pay for the first 3 months. Also with a standard loan you can make lump sum repayments at any time you want and pay off your loan sooner.

Car loan.

A car loan can help you cut the cost of motoring. You can use this loan to buy a new car, replace your existing car or to buy a second car. With this loan you would be able to have free insurance cover against your car failing it's MOT worth up to £750 a year.

Platinum loan.

The platinum loan is only available to platinum current account customers. With this loan you can borrow any amount from the range of £1,000 to £25,000 for almost anything you want. You can also spread the cost with fixed repayments and also the option to off lump sums from your account whenever you choose to. This platinum loan takes from 6 months to 5 years to repay but it's your choice in how long you want to pay the loan back.

Secured loan.

If you are planning a larger purchase of more than £10,000 and you want to spread your repayments over more than 5 years then you should consider the secured loan. This secured loan means you can give up security for the money you borrow in the form of your home, you can spread your repayments over a long period, which should make your monthly repayments easier to manage.

Professional studies loan.

When your career calls for professional qualifications, the professional studies loan gives you the practice support you need. To ease the financial pressure, you can take money out as when you need it and delay repayments for up to 6 months after you finish your course.

Graduate loan.

After you have gained your degree and you need extra financial support to help you make your way through then a graduate loan is what you need. A graduate loan lets you borrow up to the total of £310,00 with fixed monthly repayments of up to 5 years. With this loan you also have the optional of an initial 4 months repayments 'holiday' to make it even easier to manage your finances.

Career development loan.

The career development loan can be used to finance vocational study or training courses of two years duration, or longer if the course has a year's supplied experience built in. With the career development loan you can borrow between £300 to £8,000.

To qualify for this loan then you must live in or intend to do your training in the UK and work in the UK, European Union after your education has finished.

Extra safety with Loan Protection

You can't predict what your future will hold, but you need to guard against unforeseen problems that may arise.

That's why we recommend you take out Loan Protection. This provides you with the reassurance of knowing you're covered if the worst should happen. Loan Protection is specially designed to cover your repayments if you have an accident, become sick or are made redundant.

Loan Protection can offer you peace of mind against:

- Accident and sickness
- Involuntary unemployment
- Major illness
- Death

Safeguarding your loan against sudden misfortunes couldn't be easier. You must make sure that you ask for details when applying for your loan.

All of the above loans will include APR (annual percentage rate) Lenders must quote an APR as well as the applied rate. The APR is intended to help customers compare the true cost of loans offered by different banks. The APR takes into account the applied rate, any other costs associated with the loan (such as application fees) and the term of the loan.

Financial Planning

Planning your finances is important but before you rush into anything it would be better to talk it through with someone with experience. If you are going to plan your finances and you need help and advice about your financial services then there are a lot of places where you could go to get the help and advice you want. It would be important to speak to somebody who has professional experience or a friend, or somebody from your family who has been through the same thing. Below is a list of places, which could be of some help about your financial planning.

- **Banks** = Banks provide financial advice on the types of accounts and loans that you may be enquiring about. The banks offer a wide range of different types of loans, accounts and saving accounts.
- **Building societies** = building societies can help you with your savings and help with the troubles that could occur when buying property e.g. what type of house would best suit your needs.

- **Citizen's advice centre** = the citizens advice centre offers free, impartial, confidential advice on information on most subjects e.g. benefits, housing, legal matters, employment, finance advice and immigration.
- **Independent financial advisers** = independent financial advisers offer you the following: independent financial advice through one of there financial advisers, a range of on-line products with special terms and a service that is available to your friends and families. Some of the financial services are thing like life insurance, mortgage and stakeholder information.
- **Accountants** = accountants are a service that you can go and get personal advice about your financial problems that you may have. The accountants will advice you in the best way they poss ible can by giving you as much information that you require, there could be a charge that you might have to pay for this service.
- **Friends and family** = family and friends can help you with your financial troubles as they have properly been through some stage where they have needed help with their finance. Your friends and family could give you advice, help you with any unexpected problems and guide you in the right direction.

All of the places I have listed should be of some help, but in my opinion I would recommend that you speck to a member of your family first because they could point you in the right direction as they have probably been in your position before.

Financial Services records

Accuracy of Financial records is very important as it outlines what you have exactly spent when and on what. The accuracy of your finance needs to be correct at all times because if mistakes are made then it could mean that you could spend more money than necessary on items or bills.

The sources of personal income which, the young adult might have could be:

- Wages or salary, after deductions.
- Regular allowances.
- Fees earned e.g. you could earn fees by doing some extra work for a friend or family.
- Borrowed money, such as loans or credit to buy goods.
- Interest from savings.

The uses of personal income.

- Accommodation ~ either rent or a mortgage.
- Travelling expenses ~ to work or for social or leisure purposes.

- Household expenses ~ gas, electricity, council tax and other bills.
- Food and clothing.
- Leisure activities.

Accuracy of your finance has to be the main part of planning your finance and that when you do plan your finance then it would be best to pay for the things you need to pay for rather than pay for then the things that you want. Once you have paid for the things that you need E.g. ~ rent, travel expensive and food shopping then the money you have left would be spent on the thing that you want. E.g. ~ clothes, fags, savings.

Every day expenditures are things like the local newspaper, the latest CD or an item of clothing where as every major items are things like a car, investing in a house or buying a type of property. The major items that you would buy would mean that you would have to consider the option of getting some type of loan out so that it is possible for you to buy the major items that you want. The everyday items that you want can be purchased by your income and as these types of items are not costed at a high price then you wouldn't need to get out a loan to buy your everyday items.

When you start to plan your finances then you would have to think about the upkeep of financial records. The upkeep of financial records involves making changes on a weekly or daily basic to your cash flow forecast so that you can keep all of your records up to date and that you don't forget what you have spent your money on. You will need to make amends to your cash flow forecast every week, or daily as it runs much better then it dose if you do it for a month. The reason why it is not a good idea to amend your cash flow forecast every month is because you could lose the receipts, you would forget half off the stuff that you have brought and because it would take up more time when doing it for a month then it would if you did it on a daily basic or weekly.

There are a number of different types of financial services available and many have different options attached. Below are some types of financial services that are available from Loyds TSB plc.

Financial Sevices

Select current account

With a select current account you can look forward to some great money-saving deals. When you're on the road you are automatically protected by AA roadside assistance and if you're going abroad you can buy commission free travel money from Lyods TSB. You can also use our Home Shopping service to get the lowest price on thousands of top brands household goods. Below is a summary of everything that the select current account offers:

- £50 interest free overdraft, current account card, telephone banking, Internet banking and TV banking.
- Commission free travel money
- AA roadside assistance and Select motoring service
- Home shopping service and 90 days protection service.

All credit subject to status. Lloyds TSB cheque account is required. Applicants must be 18 years or over and the Select account subject to application and status.

Gold service account

The gold service account is designed to help you life live to the full. It offers you a range of valuable savings that you can take advantage of at home and abroad. These include world-wide travel insurance, commission free travel money and a number of exclusive offers on banking services e.g. higher interest on your savings to lower rates on an Asset Gold credit card. Below is a summary of everything that the gold service account offers:

- £100 interest free overdraft, gold service current account card, telephone banking, Internet banking and TV banking.
- World-wide travel insurance, commission free travel money and travel accident insurance.
- Buy or least a new car by motor direct
- Other services such as accidental death benefits, legal help line and direct debit benefits.

The opening of a Gold Service Current Account and the provision of credit is subject to status and you must be 21 or over to apply.

Platinum current account

With the Platinum current account you can enjoy the best of everything that TSB has to offer. You can take advantage of their best offers on mortgage, loans, investments and much more. You also get the following services with this Platinum current account £250 interest free overdraft, platinum current account card,

- telephone banking, Internet banking and Internet banking.
 - World-wide travel insurance, commission free travel money and travel accident insurance.
 - AA breakdown, relay cover and least a new car with motor direct.
 - Other services such as accidental death benefits, legal help line.
- The opening of a Platinum current account and the provision of credit is subject to status and you must be 21 or over to apply.

Mini ISA

To apply for a Mini ISA then you must be 16 or over, be resident and ordinarily resident in the UK for tax purposes and the account must be held in sole name. You cannot open a Mini Cash ISA where you have opened or contributed to a Maxi ISA (held either with us or another provider) in the same tax year. Or you have already opened or contributed to a Mini Cash ISA (held either with us or another provider) in the same tax year. The benefits offered by the mini ISA are as follows:

- Tax free savings
- No fixed term, penalty free access
- Maximum allowance in each tax year is £3,000
- Interest paid once a year
- All transaction requests made by post.

Tessa only ISA

To apply for a Tessa only ISA then you must be 16 or over, be resident and ordinarily resident in the UK for tax purposes and the account must be held in sole name. You can only open a Tessa ISA with the capital from a matured Tessa within 6 months of the maturity date. The benefits offered by the Tessa ISA are as follows:

- Tax free savings
- Tiered rates of interest, therefore the more you save the more you earn
- Six months of the maturity date of the Tessa
- Minimum of £10 withdrawals
- Maximum deposit - capital from a matured Tessa up to £9,000, minimum of £10

Personal overdraft

Once you have agreed an overdraft limit with the TSB then the services available are:

- You can use us as much as you need when you need it
- There are no charges for overdrafts under £10
- You can borrow funds
- You're pay interest on the amount that you use plus our normal overdraft charges, only overdraft charges of £10 or more.

comparission

For this assignment I am also going to compare TSB and HSBC bank so that I can see what bank offers the best deals on there types of financial services e.g. the types of accounts that they have on offer.

Both TSB and HSBC have a large range of different types of accounts and the accounts that they both offer are as follows:

- Select current account
- Gold service account
- Platinum current account
- Mini ISA
- Tessa ISA
- Personal overdraft

Both banks offer a range of different services for a particular type of current account that you want to open. For the select current account both banks give you £50 interest free overdraft, commission free travel money and a free current account card. Even though both banks provide the same service there is also a difference because TSB offers AA roadside assistance and HSBC offers card protection worth up to £12 a year. Another type of account that both banks offer is a gold service account and again both banks offer similar services. Both of these banks also offer Platinum current account, mini ISA, Tessa ISA and personal overdraft.

Even though both TSB and HSBC offer the same type of services they also do have some difference. The HSBC bank has a Maxi ISA where as TSB doesn't provide this service. The TSB dose have a mini ISA but dose not have a maxi ISA. HSBC seem to do more current account and other services then what TSB dose. Both of these banks provide accounts, loans and other services like Internet banking and both provide, as much information on their web site that they think is relevant.

With this assignment I have used a variety of different bank web site and I have found that TSB and HSBC were the best two web sites that produce me with the relevant information that was needed for this assignment. I also went onto Barclay's and Natwest web sites but there wasn't any relevant information.