

Glossary of terms

AER = Annual Equivalent Rate – the rate you look for to compare interest you receive on savings

APR = Annual Percentage Rate – the rate you look for to compare the cost of loans.

Budget = A plan for managing money showing income and outgoings.

CAB = Citizens Advice Bureau – A place to get advice on many issues including legal matters and financial advice.

Charge card = A card to buy goods in shops or online where the bill must be paid in full once a month. Not a credit card.

Credit = Money lent to you for a period of time.

Credit card = A card used to pay for things in shops and online when you can choose to pay only part of the bill each month.

Debit card = A card used to pay for things in shops and online where the money is taken straight out of your bank account.

Finances = All aspects of your money – what you earn, what you have, what you owe etc.

Inland Revenue = The Government agency that manages tax collection (see tax).

Insurance = You pay regular premiums to a company so that they will pay you if you suffer a loss. You have to have insurance for a car and it is advised that you get insurance for your possessions and home.

Interest = Money charged for borrowing or money earned on savings.

In the black = Your bank account is in credit i.e. you still have money in the account.

In the red = You have no money left in your bank account and you owe the bank money.

ISA Individual Savings Account = A tax-efficient way of saving, which usually offer good interest rates.

Jobseeker's allowance = A benefit paid to the unemployed for 6 months.

Loan = How you borrow money. You can only borrow money from banks once you reach 18 years of age.

Minimum wage = The minimum legal hourly rate of pay once you reach 16 years of age.

Overdraft = Borrowing money on your current account. Being overdrawn without permission will usually result in you paying charges to your bank.

Pension = Money paid to you when you reach retirement age. People working now pay for today's State pensions. People working in the future will pay for your State pension.

Statement = A regular update showing money coming into and going out of your bank account.

Student loan = Government-backed money for students - but it must be paid back when they earn over £15,000 per year.

Tax = Money paid to the Government to help fund its budget. We are taxed on what we earn and on what we spend.

