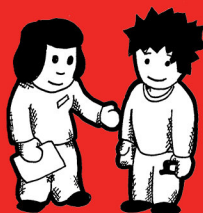


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Demystifying financial terminology for young people

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AER

The Annual Equivalent Rate is the interest rate that is used on savings. The higher the better as you will earn more money on your savings.

APR

The Annual Percentage Rate is the interest rate that is used on borrowings. It tells you the cost of credit for credit cards and loans. The lower the better as you will have to pay less to borrow the money.

Balance

The amount of money you owe or have in your account.

Bank

A financial institution that accepts deposits, provides loans, and offers other financial services. Many big banks are global businesses and owned by lots of people who have bought a share in the company.

Budget

A record or plan of how much money you spend, earn and borrow.

Building Society

A financial institution owned by its members, that offers banking, and other financial services such as mortgages. Many of the building societies of the 1980s, such as Cheltenham and Gloucester have actually now turned into banks and offer exactly the same services.

Bounced Cheque

When you write a cheque for something but you do not have the money in your account to actually buy it. This means that your cheque will "bounce" and you are likely to get charged for it.

Cheque

A written order to your bank directing them to pay another individual or business.

Credit Card

A card which allows you to pay for things with borrowed money. This money must then be paid back in a bill. The credit limit is the maximum amount you can spend on your credit card.

Credit History

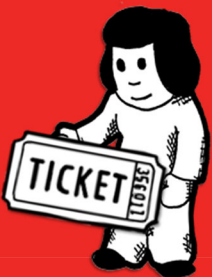
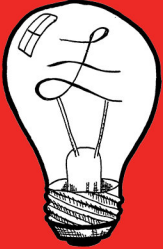
A track record of your borrowings and repayments.

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Credit Union

A non-profit financial institution that is owned and operated by its members usually in a local community. They provide financial services for their members including loans such as mortgages, and savings accounts.

Currency

Money in any form which is used to buy goods. Example are the British Pound and the Euro.

Debit Card

This allows you to buy things by using your card. The money is taken directly from your account.

Debt

Money you must pay back (owe) to a person, bank or company.

Deposit

An amount of money you put into a bank account. The total money in your account will equal all your deposits.

EMA

Educational maintenance allowance is given to some young people to encourage them to continue with further education after the age of 16.

Ethical Policy

A set of standards created by a bank or business so that you know what they think is "good" or "bad" or "right" or "wrong". The bank or business uses these standards to help decide how they should act and where they should invest their money. You can look at a company's ethical policy to help you decide if you want to be their customer. You can find ethical policies on company websites.

Income

The amount of money a person gains through employment and investments in a given time.

Interest

A charge for borrowing and a reward for saving. When you borrow money, you have to pay the bank a charge for doing so. When you save money, the bank is borrowing it from you, so you get paid interest from the bank. An interest rate is the rate of interest you have to pay on a loan or receive on savings.

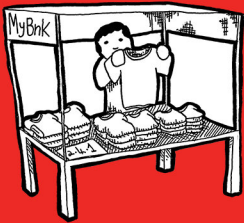
Investment

An amount of your money that you can put into a business or project which has the purpose of growing the business and making you money.

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Loan

Money lent by banks (or other companies) for things such as buying a car, holidays, home improvements etc (personal loan), or for business. This is usually paid back in monthly installments with interest.

Minimum Wage

A minimum hourly rate of pay set by the government according to your age.

National Insurance

A fixed amount taken off salaries and wages by the government to pay for benefits and state pension.

Overdraft

An agreement between you and your bank which allows you to withdraw more money than you have in your account.

Pension

An income someone receives once they have retired.

Saving

Putting money aside now to use in the future. People often save their money in a savings account held at a bank.

Tax

A fee charged by a government on a product to finance spending on public services such as the police and NHS, street lighting.

VAT

A tax added on most consumer goods and services (inc. chocolate). It is currently 20% of the retail price.

Withdrawal

The process you go through when taking out your money from a bank.

