# PCSHE – Year 7 Topic 6 – Financial Decision Making

**Key Terms:**

- **Income Tax**: Income tax is the money that individuals or businesses have to pay to the government based on the money they earn or the profits they make.
- **Earnings**: Earnings are the money or income that individuals or businesses receive from their work, businesses, or investments.
- **Interest:** the bank (or whoever) pays us for the chance to use our money
- **Fixed cost:** costs that are the same no matter how many people are involved.
- **Income**: The money you earn or are given
- **Needs:** essentials such as water and food
- **Wants:** things that we don't really need but like to keep up to date
- **Expenditure:** the money you have to pay to others or decide to spend.
- **Savings account**: an account for money you don't need instantly. Often you get paid interest on savings accounts.
- **Budgets**: Budgets are plans that help individuals or businesses keep track of their money. They show how much money is coming in (income) and how much is going out (expenditure), helping to control spending and save money.
- **Disposable**: Disposable refers to the income or money that individuals or households have left after paying taxes and essential expenses. It is the money available for spending or saving on non-essential items.
- **Loan**: A loan is an amount of money borrowed from a bank or lender. The borrower agrees to repay the loan over time, usually with interest added.
- **Gambling**: Gambling refers to playing games of chance or betting on uncertain outcomes, usually involving money. It involves taking a risk with the hope of winning more money or prizes.
- **Value**: Value refers to the worth or importance of something. It can be the monetary worth of an item or the significance or usefulness it holds.
- **Debt:** Debt refers to an amount of money that one party (person) owes to another
- **Fraud**: Fraud is a dishonest act carried out with the intention to gain an unfair advantage. It involves concealment (*hiding)* of information, or manipulation of facts for personal or financial gain.

**KPI2: Saving and Budgeting**

**Types of accounts:**

- **Saving accounts:** You can open a savings account yourself at 16. An adult can open a savings account for a child under 18. If you saved £10 a month for a year, at a yearly 1% interest rate, you should have £120.65 at the end of the year. They are specifically designed for you to save money in and are usually best for saving larger amounts.
- **Current accounts:** These help you to manage your day-to-day money, pay bills, receive incoming money.

**Risk:** Different types of savings and investments carry different types of risk. Some finances are high risk, that is, the chances of something bad happening are high; however, in return for taking that high risk, you might earn more money than someone who saves in a low-risk way. Putting your money in a piggy bank could be described as so low risk that it's virtually risk free, but therefore you get no extra money back. Normally, the higher the risk, the higher the possible return, but also the potential for a higher loss.

**Budgeting:** Budgeting is the process of managing your money. It can be used to manage the balance between your income and your outgoings. It ensures that

- You have enough money to cover the necessities
- You are spending on what really matters to you
- You are putting money aside for the future
- You have considered other things you might want to use your money for, such as giving to charity.

**KPI3: Gambling**

Gambling is an activity that results in either a win or a loss. It is also known as betting, gaming or taking part in a lottery. All gambling is high risk – the chances of losing money are far greater than winning it. This is how organisations in the gambling industry make their money.

There are several sectors where gambling activities take place

- Arcades
- Betting
- Bingo
- Casino
- Lotteries
- Gaming machines
- Social gambling

Impacts of gambling:

- Spending more than they want on gambling
- Struggle to find money for bills
- Take out loans to cover gambling debts.
- Extreme emotions or mood swings
- Stopping their other hobbies
- Difficulty sleeping
- Feeling depressed or anxious.

**KPI4: Dealing with financial dilemmas**

Fraud: Fraud is when a person dishonestly and deliberately deceives a victim for personal gain of property or money.

Identity theft: The act of a person illegally obtaining information about someone else.

Phishing: By pretending to be financial institutions or companies, thieves can send fake emails or pop-up messages to get you to reveal your personal information. You should never click on links and should avoid responding to these emails.

Vishing or phone scams: These typically involve fraudsters deceiving people into believing they are speaking to a member of a bank or a representative of another trusted company or agency. Usually, the fraudster will convince the person they have been a victim of fraud and will ask for personal and financial information to gain access to their account.

Smishing (SMS phishing): This is when someone tries to trick you into giving them your private information via a text or SMS message. Many people tend to be more inclined to trust a text message or an email and people are less aware of the security risks involved with click on links in a text message.