Overview: Saving and borrowing for what you want



This section aims to help you plan for any significant money goals and to consider savings as an option to pay for them. You should be able to come to the conclusion that sometimes borrowing can be avoided by making adjustments to your budget.

This section also looks at different loan types and the various institutions who offer them. You will learn how to get the most suitable loan that offers the best value.

You can see a glossary of commonly used terms on our jargon buster www.ccpc.ie/consumers/money/jargon-buster



Student Worksheet 3.1: Planning for your goals



Exercise A

Using the chart over the page and your case study:

- 1 Write down your case study's saving goals;
- 2 Estimate how much you think it will cost for you to meet your case study's goals;
- 3 Estimate how long you have to save for your case study's goals; and
- 4 See how much money your case study will have to save each month to meet his/her/their goal (you can see how much money you have to save by revisiting your budget planner from section 1).



Student Worksheet 3.1: Planning for your goals

Characters name(s):					
Savings goal (List out all items associated with the goal)	Goal will cost (don't forget to include costs for all items related to goal)	Months until they need the money	Amount they need to save each month (B)	Spare cash they have every month (A)	Shortfall/extra money they need to save each month (B-A)

Student Worksheet 3.1: Planning for your goals



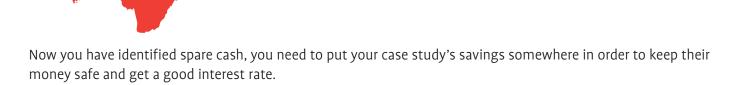
In section 2, we looked at using a current account in general to make payments and to manage your money.

Exercise B

We are now going to look at deposit accounts – how do you think they differ from current accounts – make a list in the chart below.

Features of a deposit account	Features of a current account
1	1
2	2
3	3
4	4
5	5

Student Worksheet 3.2: Comparing savings products



Exercise A

Use the information table below to find the best savings account for your case study.

- Under the three kinds of institutions below, find a savings product offered by one of them (go online or phone to do this);
- 2 Find out what interest rate they offer and how you would benefit from this over time;
- 3 Look at what terms and conditions, and other services they offer; and
- 4 You can go online to www.ccpc.ie and look at our cost comparisons for savings products.

	Bank	State savings including post office	Credit union
Name of institution			
Name of product on offer			
Interest rate offered			
Interest added to 1,000 over a year			
Terms and conditions			
Other services			
Building Society			



Student Worksheet 3.2: Comparing savings products

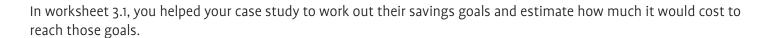


Exercise B

Now that you have looked at a series of options for your case study, decide which savings account you would choose.

Savings Account Chosen	Reasons	

Student Worksheet 3.3: Borrowing to pay for your goals

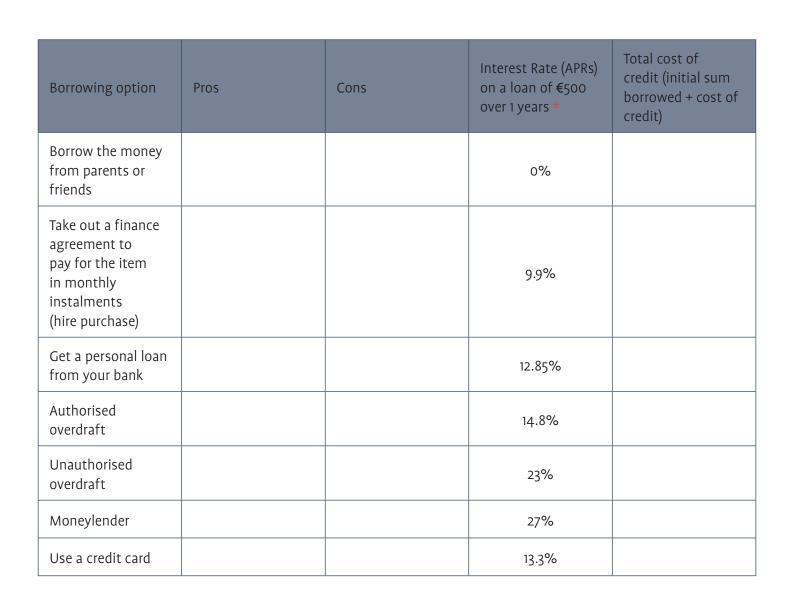


Exercise A

- 1 Now consider the different borrowing options available to raise the sum of money they would need to reach their goal.
- 2 What are their borrowing options? Consider the pros and cons of different borrowing options and complete the information in the table below (additional information can be got on line or by phone).
- When filling out the 'Total cost of credit' column, use our cost comparisons on www.ccpc.ie/consumers/money-tools/loan-comparison/ to help you out.
- 4 Compare the cost of credit to how long it would take your case study to save!

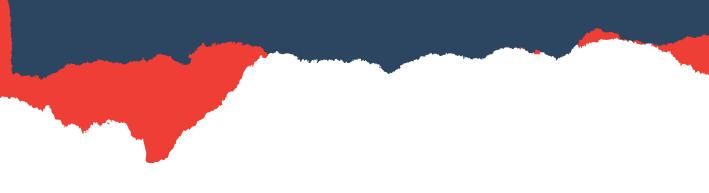


Student Worksheet 3.3: Borrowing to pay for your goals



^{*} These are approximate figures, interest may vary

Student Worksheet 3.3: Borrowing to pay for your goals



Exercise B

What do you think your case study should do? Can they reach their goal by saving or do they need to borrow? Give reasons for your answer.		

Student Worksheet 3.4: The cost of borrowing

Exercise A

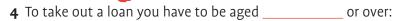
Multiple choice quiz

For each of the following questions, mark the correct answer as either **A**, **B** or **C**. You can use the loan calculator on our website to help you with this exercise. www.ccpc.ie/consumers/money-tools/loan-comparison/

- 1 If you borrow 500 over 1 year which of these rates will cost you the most?
 - A Annual Percentage Rate (APR) of 16.5%
 - B APR of 22.5%
 - C APR of 19.5%
- **2** When taking out a loan or applying for a credit card you should look for:
 - A A high APR
 - B A low APR
 - C A good reward scheme
- 3 If you miss a repayment on a loan how long will your credit rating be affected for?
 - A For 5 years after the loan has been closed/repaid
 - B For 5 years after you missed the repayment
 - C Until you make up the missed repatment



Student Worksheet 3.4: The cost of borrowing



- A 16
- B 18
- C 21
- **5** Which of the following loans is the cheapest?
 - A €1,000 at 10% over 4 years
 - B €1,000 at 8% over 5 years
 - C €1,000 at 12% over 3 years

Student Worksheet 3.4: The cost of borrowing

Exercise B

For each of the following questions write whether the statement is **true** or **false** in the space provided.

	Question	True or False
1	With a hire purchase or car finance agreement, you do not own the car until the final payment is made.	
2	Once you pay the minimum repayment on your credit card every month you are not charged any interest.	
3	The higher the interest rate, the greater the cost of the loan.	
4	The longer it takes to pay the balance owed on your credit card, the more it costs you.	
5	Interest rates on credit cards are generally lower than personal loans	