

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

Section 3: Saving and borrowing for what you want

Student Worksheet 3.1: Planning for your goals

In this section you are going to help your case study to sort out what their savings goals are, and the best way to achieve them.

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).



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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)

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Student Worksheet 3.1: Planning for your goals

Choosing a deposit account to save up money

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

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Student Worksheet 3.2: Comparing savings products

Now you have identified spare cash, you need to put your case study's savings somewhere in order to keep their money safe and get a good interest rate.

Exercise A

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

- 1 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			



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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

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Student Worksheet 3.3: Borrowing to pay for your goals

In worksheet 3.1, you helped your case study to work out their savings goals and estimate how much it would cost to reach those 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).
- 3 When filling out the 'Total cost of credit' column, use our cost comparisons on www.ccpc.ie/consumers/financial-comparisons and loan calculator on www.ccpc.ie/consumers/tools-and-calculators/loan-calculator to help you out.
- 4 Compare the cost of credit to how long it would take your case study to save!



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Student Worksheet 3.3: Borrowing to pay for your goals

Borrowing option	Pros	Cons	Interest Rate (APRs) on a loan of €500 over 1 years *	Total cost of credit (initial sum borrowed + cost of credit)
Borrow the money from parents or friends			0%	
Take out a finance agreement to pay for the item in monthly instalments (hire purchase)			9.9%	
Get a personal loan from your bank			12.85%	
Authorised overdraft			14.8%	
Unauthorised overdraft			23%	
Moneylender			27%	
Use a credit card			13.3%	

* These are approximate figures, interest may vary

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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/tools-and-calculators/loan-calculator

- 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 repayment



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Student Worksheet 3.4: The cost of borrowing

4 To take out a loan you have to be aged _____ or over:

- 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

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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	