

BTEC NATIONAL BUSINESS UNIT 3 PERSONAL FINANCE

START

1 One function of money is that it offers a store of value. **State** three other functions of money.

2 State the names of three types of financial institutions in which money can be saved.

3 Premium bonds are an example of an investment. **State** three features of premium bonds as a method of investment.

4 Pensions and shares also offer saving and investment options. **Outline** one benefit and one drawback of each.

14 Explain two drawbacks of postal banking.

13 Explain two key features of a premium/package current account.

12 The role of money is affected by interest rates, which, if low, make saving unattractive. **Explain** the risks and rewards of investment as an alternative to saving.

11 The Bank of England is not a consumer bank, and as such, does not have any branches. **Outline** the role of the Bank of England.

10 The Financial Conduct Authority (FCA) regulates the actions of financial service providers, funded by membership fees charged to those providers. **Outline** the three key areas of its work.

9 Any financial institution offering credit to consumers has to comply with consumer credit legislation. **State** the purpose of consumer credit legislation.

8 There are many source of information, guidance and advice, available to individuals. **State** the names of four providers of information, guidance and advice.

7 The FOS, FSCS and the OFT also provide consumer protection in relation to personal finance. **State** what each of these abbreviations stand for.

6 There are now many different ways of banks communicating with customers, besides the 'traditional' method of visiting a branch. **State** three alternatives to branch banking, other than postal banking.

PERSONAL FINANCE



PERSONAL FINANCE SUGGESTED ANSWERS

<p>1 Unit of account, means of exchange, legal tender.</p>	<p>2 Bank, building society, credit union.</p>	<p>3 Bonds purchased in denominations of £100, each bond placed in monthly draw for tax-free cash prizes £25-£1m, government scheme (NSI), can sell back for face value at any time.</p>	<p>4 Benefit of pension – saving for the future, regular savings, employer may top up to increase final value further.</p> <p>Drawback of pension – ongoing payments may make day to day living hard if contributions are high, moving jobs may lead to lots of policies starting and finishing, leading to a lack of clarity in the amount expected on retirement, final value often hard to predict as paid over a long period of time.</p> <p>Benefit of shares – shareholders shares may increase in value as well as them receiving dividends, may get additional perks such as discounts, being a part owner of a company may boost morale, potential for high reward if shares increase in value and are sold on.</p> <p>Drawback of shares – no guarantee shares will increase in value, they may actually fall, very risky as there is no guarantee of getting a return of dividends even if profit is made.</p>
<p>14 Cannot send cash, can get lost, can be slow due to postal system.</p>	<p>TIME TO REVIEW YOUR LEARNING.....</p> <p>List three content points that you are confident with and three that require some attention.</p>		
<p>13 Incurs a monthly fee, includes benefits such as free mobile phone insurance, travel insurance or money off at selected partner shops or restaurants.</p>	<p>Confident with</p> <p>1</p> <p>2</p> <p>3</p>	<p>Requires attention</p> <p>1</p> <p>2</p> <p>3</p>	<p>5 Basic, student, standard.</p> <p>6 Telephone, mobile, online.</p> <p>7 FOS – Financial Ombudsman Service, FSCS – Financial Services Compensation Scheme, OFT – Office of Fair Trading.</p> <p>8 Citizens Advice, Independent Financial Advisor (IFA), Price comparison websites, Money advice service, Debt counsellors, Individual Voluntary Arrangements (IVAs) for bankruptcy.</p>
<p>12 Risks of investment – all or some of the investment may be lost, no guarantee of a return being made.</p> <p>Reward of investment – potential for high reward if successful, often much higher than interest from saving, more interesting/ exciting than saving as saving seen as safe/ boring.</p>	<p>10 Authorises financial institutions to trade, supervises financial institutions to ensure procedures and practices are in the consumer interest, forces financial institutions to maintain standards by use of the power they have to enforce relevant legislation and regulations.</p>	<p>9 To protect consumers against unfair or unlawful practices by institutions offering credit, e.g. unreasonable interest charges, unclear contractual terms.</p>	
<p>11 Maintaining a healthy level of financial stability for the economy, sets interest rates, issues legal tender, controls the national debt.</p>			