



Managing finances when renting or buying a home

Age range: 16-19



Definitions



Renting



Buying



Shared ownership

What's the difference?

Renting	Buying
Tenants pay a deposit before they move in, usually equivalent to one months' rent, which will be returned to them when they leave.	Buyers need a deposit which is usually a minimum of 5% of the purchase price.
Rent is usually payable monthly. If a number of tenants are living in the same property (a house or flat share) the tenants will usually share the deposit and rent. Rent will vary according to the size, location and condition of the property.	Mortgage repayments are paid monthly and will include interest. The amount of interest you pay will depend on the mortgage agreement.
Costs of utility bills might be included within the rent paid, otherwise these will be paid separately monthly or quarterly (e.g. internet, electricity, gas, council tax).	Utility bills will be paid separately to the mortgage payments.
You'll also need to consider contents insurance.	You'll also need to consider Stamp Duty, legal fees, valuation and survey fees, and buildings and contents insurance.

Calculating the cost of owning

- The average price of a flat in the UK (including London) is £284,691 (as of December 2023)*.
- If your mortgage provider agrees that for a property of this price, you need to pay a 5% deposit, across a 20-year repayment plan with current interest at 5.25%, your monthly repayments would be approximately £1,179 per month**.

*gov.uk

**[Money Helper](#)



Regular costs – unavoidable or optional?

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Council tax	TV licence	Broadband subscription
A bill paid by every household (rented and owned). Rates are set by the local council and vary according to the value of the property. This can be paid annually or in monthly instalments.	This is a legal requirement if you watch or record programmes as they're being shown on TV or live on an online TV service, and to download or watch programmes on BBC iPlayer. A TV licence can be bought annually or paid for in monthly instalments.	A connection to the internet which can be transmitted to different devices such as tablets and laptops through a WiFi (radio) signal, which is required for TV packages. Broadband is usually paid for monthly.
Utilities	TV packages	Other costs to consider
These include gas and electricity (energy), and water. Costs vary depending on how much is used and which company provides the services and. Utility bills are usually paid for monthly.	These offer additional channels, as well as on demand and catchup services. Annual packages can vary a lot depending on how many channels and services are included and are usually paid for monthly.	<ul style="list-style-type: none">• Mobile phone contract or pay-as-you-go.• Contents insurance.• Food and necessities.• Clothes.• Essential travel costs.

What is a budget?

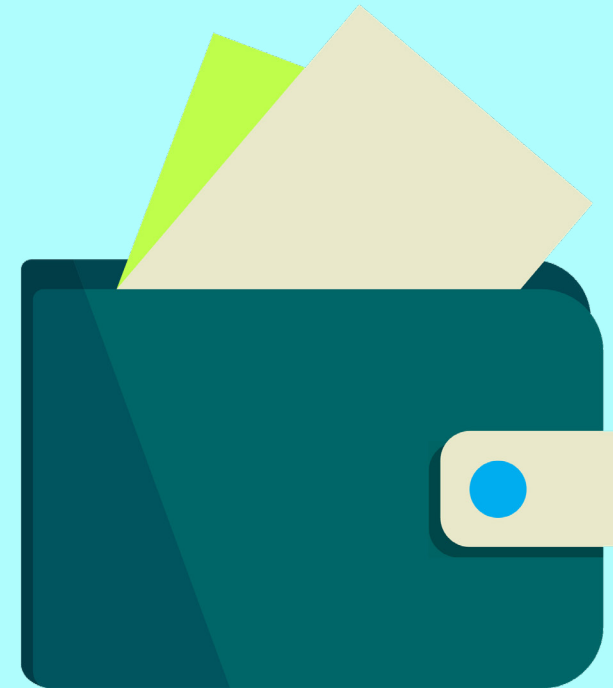
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Click [here](#) to reveal the definition

What is a budget?

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An estimate of income and expenditure for a set period of time to help guide money management.



Wise words

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Never spend money before you have it.

Thomas Jefferson

Beware of little expenses; a small leak will sink a great ship.

Benjamin Franklin

*Many folks think they aren't good at earning money,
when what they don't know is how to use it.*

Frank A Clark

The art is not in making money, but in keeping it.

Proverb



Case study: Ahmed

Ahmed lives in a village near Derby and enjoys spending time outside playing sports. He wants a career that keeps him fit and active so he has applied for a sports coaching apprenticeship.

He wants to start getting experience of the workplace straight away, as well as earning a salary. The role will be based at a school in Derby during term time and at a sports centre in the school holidays. He will live at home and pay his mum rent, and he will need to drive to work each day so will have to budget for petrol and other car costs including insurance.

He enjoys going to the cinema with his friends and plays in a football team at the weekend. He can get an apprenticeship discount card which will get him money off at the cinema and restaurants. Ahmed knows he will have to monitor his budget closely to make sure he can pay his bills and still enjoy socialising with his friends.



Case study: Sinead

Sinead lives in Northern Ireland. She is keen to go to university away from home and establish her independence. She wants to continue to develop her skills and passion for music by studying it at university and has decided on Manchester.

For her first year, Sinead is going to be living in the university halls of residence. She plans to be very busy with her studies but wants to try to fit in going to the gym regularly too. She'll need to invest in a good laptop and some books that have been recommended by her course tutors.

Sinead's tutor has advised her to apply for a maintenance loan to help pay for her course fees. She has also managed to save some money from her Saturday job over the last 2 years.

Sinead needs to book flights home each term and hopefully getting a job on campus will help her pay for this. Sinead's older sister, who has just finished university, gave her some advice: *"Don't forget to note down all your costs. It's not just the rent and food; you'll need to buy books, kitchen equipment and you still have your phone contract to pay for. Put aside a fixed amount for your outgoings for each week and be careful not to go over it."*

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Budgeting template: student sheet (1/5)

	Weekly	Monthly	Termly	Yearly
	Convert from yearly (divide by 52 weeks)	Convert from yearly (divide by 12 months)	If applicable convert from yearly (assume 3 terms in a student year)	
Income e.g. job or student loan				
(1) Total income	£	£	£	£

Budgeting template: student sheet (2/5)

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Expenditure	Weekly	Monthly	Termly	Yearly
Living costs (regular) e.g. accommodation, food, bills and clothes				
(2) Sub total	£	£	£	£

Budgeting template: student sheet (3/5)

Expenditure cont'd	Weekly	Monthly	Termly	Yearly
One off costs e.g. laptop				
(3) Sub total	£	£	£	£
Travel e.g. car, train				
(4) Sub total	£	£	£	£
Leisure e.g. cinema, gym				
(5) Sub total	£	£	£	£

Budgeting template: student sheet (4/5)

	Weekly	Monthly	Termly	Yearly
Income (1)				
Living costs (2)				
One off costs (3)				
Travel (4)				
Leisure (5)				
Total expenditure (2+3+4+5) = 6	£	£	£	£
Balance (1) – (6)				

If (6) is greater than (1), you need to think of ways to increase your income or reduce your expenditure.

Budgeting template: student sheet (5/5)

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Use the information here to complete the budget template. Note that if you want to use the templates for your own budget at a later date, you will need to check each of these costs.

Halls of residence	Living at home – rent	Phone contract	Music equipment	Food shopping	Gym membership	Socialising
£4184 per year	£80 per month	£25 per month	£50	£50 per week	£20 per month	£40 per week
Kitchen equipment	Football team membership	Flights	Discounted cinema ticket	Savings from Saturday job	Laptop	Books for studying
£30	£5 per week	£40 (one way)	£6 per visit	£400	£600	£200
Apprenticeship salary	Snacks and drinks	Maintenance loan living away from home (England)	TV license	Wages from part-time work	Car costs (petrol, insurance)	
£5850 per year net	£25 per week	£9978 per year	£150-160	£60 per week	£150 per month	

Note: amounts are for demonstration purposes only and may vary. For up to date information on student tuition fee and maintenance loans visit [gov.uk](https://www.gov.uk)

Quiz: question 1

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Which term describes your bank account if the balance drops below £0?

Click the answer you think is correct

A

Under-balance

B

Over-balance

C

Overdraft

D

Bank draft

Quiz: question 1

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Which term describes your bank account if the balance drops below £0?

Click the answer you think is correct

A

Under-balance

B

Over-balance

C

Overdraft

D

Bank draft

The answer is C

If you attempt a transaction when your bank account balance is below £0, you use money from your overdraft, if you have one set up. This is borrowing from the bank. Some banks will let you borrow up to a certain amount as an overdraft for free, while others will charge you interest or a fee if you go as much as a penny overdrawn. It's worth finding out what your bank's policy is, just in case.

Quiz: question 2

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Which of the following forms of borrowing do you think has the highest risk associated with it?

Click the answer you think is correct

A

Loan shark

B

Mortgage

C

Credit card

D

Payday loan

Quiz: question 2

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Which of the following forms of borrowing do you think has the highest risk associated with it?

Click the answer you think is correct

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Loan shark

B

Mortgage

C

Credit card

D

Payday loan

The answer is A

Loan sharks are people who lend money illegally. Because they are unregulated by law, they are a high risk way of borrowing money – there is no paperwork, they can set their own interest rates and repayment terms, and change them without warning, and may encourage further borrowing to pay off existing debts.

Quiz: question 3

20

Why is your credit rating important?

Click the answer you think is correct

A

Lenders will consider your rating when deciding on whether to lend you money

B

It can impact on the interest rates lenders set for you

C

Your rating can affect how likely banks and building societies are to give you a mortgage to buy a house

D

It lasts for six years

Quiz: question 3

21

Why is your credit rating important?

Click the answer you think is correct

A

Lenders will consider your rating when deciding on whether to lend you money

B

It can impact on the interest rates lenders set for you

C

Your rating can affect how likely banks and building societies are to give you a mortgage to buy a house

D

It lasts for six years

All of them are correct

Lenders will consider your rating when deciding on whether to lend you money, it can impact interest rates lenders set for you, affect how likely you are to get a mortgage, and last six years. Your credit rating is a record of your money habits. It takes into consideration late payments and even the rating of people you have shared accounts with. Lenders will use the information on your credit rating to decide whether to lend you money – for a loan, a mortgage, or a credit card. Your rating indicates the likelihood of you being able to repay the debt.

Quiz: question 4

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Which of the following could have a negative impact on your credit rating?

Click the answer you think is correct

A

Having a credit card

B

**Paying your mobile
phone bill by Direct Debit**

C

**Living at the same
address for a long time**

D

Missed payments on a credit card

Quiz: question 4

23

Which of the following could have a negative impact on your credit rating?

Click the answer you think is correct

A

Having a credit card

B

**Paying your mobile
phone bill by Direct Debit**

C

**Living at the same
address for a long time**

D

Missed payments on a credit card

The answer is D

If you make your payment after the monthly deadline on your statement, you might have to pay a late payment charge. On top of this, other companies might see that you were late, as part of your credit record. This could have a negative impact on future credit applications including applying for a mortgage.

Quiz: question 5

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Which of these is the most important bill to prioritise if you are in financial difficulties (pay first)?

Click the answer you think is correct

A

Council tax

B

Broadband – telephone/internet

C

Water

D

Digital TV package

Quiz: question 5

25

Which of these is the most important bill to prioritise if you are in financial difficulties (pay first)?

Click the answer you think is correct

A

Council tax

B

Broadband – telephone/internet

C

Water

D

Digital TV package

The answer is A

This is classed as a priority debt, those that you should pay first if you're unable to meet all your bills and debt repayments. Others include a TV licence, gas and electricity, mortgage and rent. This is because they could lead to you receiving a court summons.

Keeping up with the bills – a game of consequences

Discuss in your group, or with a partner, the items listed below and decide what might happen if you had one of these bills to pay and no money to pay it.

Item to be paid	Possible consequence	A	B
Rent			
TV licence			
Gas or electricity			
Mobile phone			
Mail order catalogue			
Bank loan or overdraft			
Store card or credit card			
Payday loan			
Family or friends			
Water rates			
Council tax			

Keeping up with the bills – answers

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Discuss in your group, or with a partner, the items listed below and decide what might happen if you had one of these bills to pay and no money to pay it.

Item to be paid	Possible consequence	A	B
Rent	You could be evicted from your home.	✓	
TV licence	You will have to pay a court fine.	✓	
Gas or electricity	Your supply will be cut off. You may be given a pre-payment meter, which will more expensive than standard billing.	✓	
Mobile phone	Your phone may be cut off. You may be taken to court and ordered to repay. Your credit rating may go down.	✓	
Mail order catalogue	You may be taken to court and ordered to repay. Your credit rating may go down. Your bill may increase due to interest.		✓
Bank loan or overdraft	You may be taken to court and ordered to repay. Your credit rating may go down. Your bill may increase due to interest.		✓
Store card or credit card	You may be taken to court and ordered to repay. Your credit rating may go down. Your bill may increase due to interest.		✓
Payday loan	You may be taken to court and ordered to repay. Your credit rating may go down. Your bill may increase due to interest.		✓
Family or friends	You may be taken to court and ordered to repay.		✓
Water rates	You may be taken to court and ordered to repay. Your credit rating may go down.	✓	
Council tax	A court appointed officer can be sent to take your possessions and sell them to pay off your debt. Money could be taken from your earnings. You could be sent to prison.	✓	