Money and You!

PAYING THE BILLS

By Astra Birch

Contents

We All Need Money 4
Meet Bill! 6
Making a Budget 8
Paying the Bills 10
Paying a Mortgage 12
Paying the Rent 14
Turn It On – Utilities 16
What's For Tea? Food Bills! 18
Ready For the Unexpected 20
Buying & Running a Car 22
Growing Kids & Furry Friends 24
A Cost of Living Crisis 26
Avoid Scams and Be Money Safe 28
Quiz 30
Glossary 31
Index 32

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We All Need Money

This book is all about the things we need to live and how we pay for them with money.

Money is like a tool that helps us trade for things with other people. If you've got three pound coins in your hand, you can trade, or swap, them for an ice cream.

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Many, many centuries ago, people traded or swapped actual goods. Some eggs could be swapped for some wool, or a chicken might be swapped for a box of candles. Nowadays, instead of swapping items directly we use money.

Different Types of Money

Money comes in different forms. We can pay for things using coins and bank notes, which are known as cash. We can also make digital payments, for example, using our phones or a debit card to buy goods in a shop or online. Money has value because we all agree it does.

Going Shopping

In our everyday lives we need money to buy things such as food and clothes. You've probably helped pack groceries at a supermarket check-out. The cashier at the till tells us how much our purchases cost and we pay for them.

Lots to Pay For!

But what about all the other things that cost money in your life and home? The electricity powering the lights costs money. So does the Wi-Fi and the hot water in the shower. How do the adults you live with make these payments and how much do these things cost?

Welcome to the world of paying the bills! You might not have to pay for all the things in your life right now, but once you're an adult you will. But don't worry! This book will explain everything, and help the future YOU get ready to be great at managing money.

PROTECT YOURSELF

Look for these facts. They will help you manage your money safely.

Is THAT a bill?

Think about your life and your home. What things do you think cost money?

Meet Bill!

If you look up the word "bill" in a dictionary it will say something like this:

A printed or written statement of the money owed for goods or services.

Time to Pay the Bill

Have you been to a restaurant or café with your friends or family? When you've finished eating your meal, the server brings you a piece of paper that tells you how much the food you've eaten costs. This piece of paper is a type of bill. It lists all the food and drink you ordered and how much you need to pay.

Household Bills

Everything in your life that keeps you warm, safe and fed has to be paid for by the adults you live with. These costs that keep your life and home running smoothly are called "household bills".

Your Bills

Have you got your own phone to stay connected with friends and family? There's a bill to pay for that each month. After school clubs, payments for school trips and even your pocket money or allowance, are all part of your family's household bills. Some of the things that you pay for every day are also bills, for example, your lunch money at school or bus fares.

Meet Some Bills

Rent or Mortgage Payment

This is usually a large amount of money that's paid each month for the house or flat where you live.

Utilities

This group of bills includes things such as electricity, gas, water, phone and Wi-Fi charges and fees for services such as Sky TV.

Council or Local Taxes

This payment is a contribution towards keeping your community running. Your local council uses this money to pay for things such as libraries, swimming pools, well-lit streets and even your local police.

Groceries, Toiletries and Clothes

These costs include the food you eat, the products that keep you clean and the clothes you wear.

So next time you hear adults talking about "having bills to pay" you'll know that they are just making sure that all the puzzle pieces of life will fit together perfectly!

Home payments

Your Turn!

Take a look at these everyday things that you use or do around the home. How much do you think they cost? Try taking a guess and see how close you can get!

(The answers are on page 32.)

Making a Budget

A budget is a plan that keeps track of all the money you have coming in and how much is going out.

Many people who make a household budget do it monthly. That's because their employer (the person, company or organisation they work for) pays them their income each month.

How Do People Get Their Income?

Income is "incoming money". People get their income in different ways.

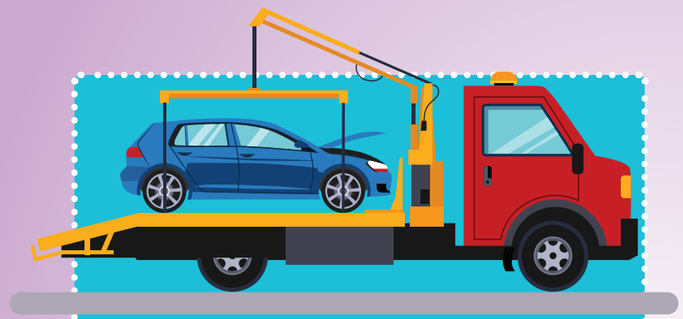
Salary or Wages
In the UK, 76% of working age adults (people aged 16 to 64) have a job. For example, they might work for a business, such as a supermarket, or work as a nurse, a doctor or a teacher. Their income is their weekly wages or monthly salary that's paid by their employer.

Being Self-Employed
About 13% of working age adults are self-employed – they have their own business and are their own boss. For example, a self-employed person might run a market stall, work as a decorator, design websites or be a gardener. Their income can change from month to month depending on how many customers they have.

Pensions
Older people, who no longer go to work, get their income from a pension. When you go to work you make payments to the government and, if you wish, also to a pension company. It's a bit like saving for the future. Then, once you stop working and retire, the government and pension company pay you a monthly amount to live on.

Benefits
Some people receive payments called benefits from the government. If someone is unable to earn money and needs help, their income comes from benefits.

Once you've worked out what your incoming earnings and your outgoing expenses (bills) are going to be, you can calculate how much money will be left over for fun stuff such as days out, holidays and other treats.



SAVE SOME FOR SAVINGS

Budgeting is not all about spending! Ideally, each month you should save (put aside) some of your income. This could be for unexpected emergency bills such as fixing your car if it goes wrong. You might also save for fun things such as a holiday abroad.

Your Turn!

Below is an example of a monthly household budget for 2 adults and 2 children.

We've left some items blank. How much do you think would be a good amount to budget for these things?

How much income will this family need for all the bills and other spending in their budget?

Monthly Bills	Monthly Budget
Mortgage	£850
Council Tax	£184
Energy Costs (Gas & Electricity)	£150
Water	£ 20
Wi-Fi, phone & TV	£ 65
Food shop	£500
Bus fares	£120
Clothes	
Going out on the weekends	
Treats	

The family is thinking about getting a rescue kitten. What types of bills do you think they will have to pay if they become cat owners?

Paying the Bills

Later in the book we'll find out all about the many different kinds of household bills we have to pay. But how do people actually pay these bills?

When we buy something in a shop, we pay the shop assistant. But how do we pay for things such as electricity, gas or water? After all, there's no water shop we can visit to pay for the water our family needs each month!

Automatic Payments

To make paying household bills easier, most people set up automatic payments from their bank account. In the UK, these payments are called direct debits and standing orders.

What Is a Direct Debit?

A direct debit is helpful for bills such as electricity where the amount might change from month to month. You give the company your bank account details and authorise them to take the money you owe from your bank account each month.

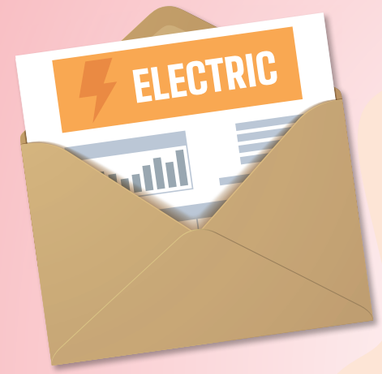
What Is a Standing Order?

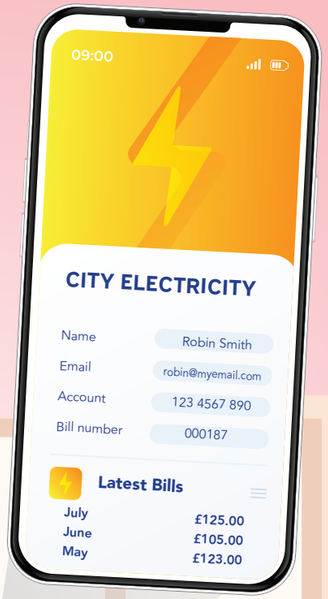
A standing order is a good way to pay a bill that stays the same amount each month. You ask your bank to make a payment for a set amount to a company or person. If that amount needs to go up or down, only you can authorise this change.

The Bill Arrives

A company such as your electricity provider sends you a monthly bill. This might be a printed bill that arrives in the post.

Alternatively, you might receive an email or text message to tell you to check your online electricity account. You can then go online and see how much you owe.





Never Forget to Pay

On an agreed date each month, the bill is then paid automatically from your bank account.

This digital way of paying bills makes sure they get paid on time. It's also a **VERY** good way to make sure you never forget a payment.

PROTECT YOURSELF

It's important that you always have enough money in your bank account to pay your monthly direct debits and standing orders. If there's not enough, your bank may refuse to pay the company or person you owe money to.

Paying a Mortgage

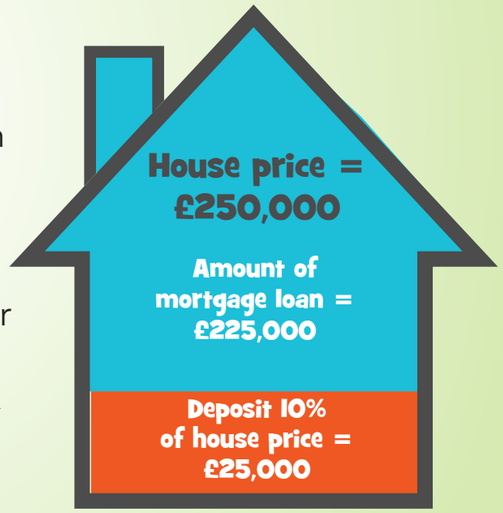
You may never have thought about it, but the place where you live costs money – either in mortgage payments or rent payments.

Many people own the house or flat where they live. However, even a very small property in the UK costs well above £100,000 – so how do people pay for their homes?

Buying Your Home

Most people buy their home using a loan called a mortgage. It is paid off over a long period of time, normally between 25 and 40 years.

You will usually pay for about 10% of your new home with your own money. This payment is called a deposit. Then a bank or other business that lends money will provide the remaining amount as a loan.



Many people save up for their deposit. Some people receive it as a gift from their parents or other relatives.

Paying Interest

A bank or other lender won't give you the mortgage money for free! They will charge you an amount of money called interest. Mortgage interest is currently around 5% to 7% of the amount you owe (in the UK in 2024).

Owning Upside

Buying a home gives you the freedom to make it truly yours. Want to paint the walls your favourite colour? Go for it! Dreaming of a plush cinema room? You can create it. When you own a home, you can change it to fit your style.

How a Mortgage Works

Mortgage payments are a bit complicated. But your lender will do all the calculations for you – so you don't have to be a maths whizz to work out what you owe!
This example shows you how a mortgage works.

YEAR 1

Amount borrowed £225,000 6% interest Monthly payment £1450

The interest charged will be £13,500 = £1125 per month

£1450 – £1125 = £325

£325 will be paid off the amount borrowed (capital sum) each month

At the end of year 1, the borrower now owes £221,100

As the outstanding amount (balance) of the mortgage goes down, so does the amount of interest to pay. This means the borrower now pays back more of the capital sum (amount borrowed) each month.

YEAR 10

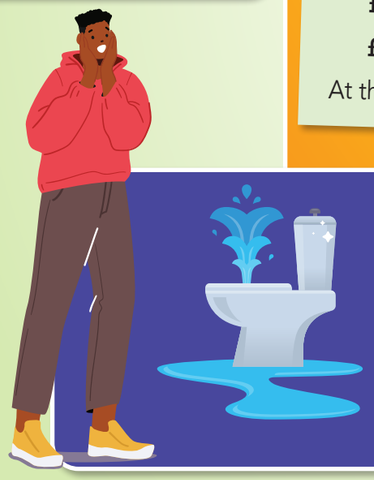
Amount outstanding £172,000 6% interest Monthly payment £1450

The interest charged will now be £10,320 = £860 per month

£1450 – £860 = £590

£590 will now be paid off the amount borrowed each month

At the end of year 10, the borrower now owes £164,920



Owning Downside

If something goes wrong with the house – such as a leaky roof or misbehaving toilet – you have to fix it! This can mean unexpected and expensive bills.

If you can't afford your mortgage payments, the lender who gave you your mortgage can make you leave your home. Then they will sell it to get their money back.

A mortgage means large monthly payments, but there's a big benefit. At the end of 25 years, there will be no more mortgage payments to make. The loan will be paid, you will own your home and you can live there for as long as you like.

Paying the Rent

Not everyone owns the house or flat where they live. Some people, known as "tenants", live in rental homes that belong to someone else.

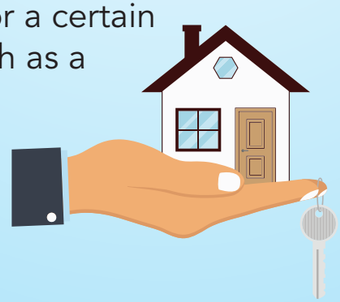
Who Owns a Rental Home?

The owner of a rental home is called a "landlord". A landlord can be a single person who owns one or two houses that they rent out. A landlord might also be a local council or a business that owns hundreds of rental flats and houses.

How Does Renting Work?

Have you ever rented a movie to watch on TV? You pay to have access to the movie for a couple of days. However, at the end of your rental period, it's gone — unless you pay to watch it again. Renting a property works in a similar way.

The tenant pays money to the landlord to live in their flat or house for a certain amount of time, such as a year. This payment is called "rent".



How Much Does Rent Cost?

Different types of homes have different monthly rents. For example, a three-bedroom house in a small countryside town might cost £850 rent per month. However, an apartment in a city like London might cost £1650 per month — even though it's only one big room. The type of property affects the rental price, but so does its location. Lots of people want to live in big, busy cities so landlords can often charge higher rents.

Three-bedroom house £850

One-room apartment £1650

Renting Rules

A tenant and landlord both sign a rental agreement that usually lasts for 12 months. At the end of this time, the tenant can ask to renew the agreement.

However, a landlord may no longer want to rent out the home, perhaps because they wish to sell the property. Then, the tenant has to move out and find somewhere new to live.

Finally, if you don't pay the rent, your landlord can evict you, which means they make you leave your home.

When you rent a home, the important thing to remember is that you will never own your rental property. Even if you've paid rent month after month for 25 years!

PROTECT YOURSELF

If you are struggling to pay your bills, you must pay your rent or mortgage before any other bills. If you don't, you risk losing your home. Money advice charities will offer support to people who are struggling to pay their rent or mortgage.

Renting Downside

You can't usually change a rental property. Sometimes you are not allowed to put up pictures or paint the walls a different colour.

Renting Upside

If the boiler goes wrong or the roof starts leaking in a rental home, your landlord must pay to fix these things.