

TOPIC 2

Sources of money

This topic helps you to:

- ▶ explain different types of employment;
- ▶ understand some government benefits;
- ▶ explain how pensions and investments can be a source of money;
- ▶ explain what an 'inheritance' is and what affects it.

WHAT ARE THE TYPES OF EMPLOYMENT?

In Topic 1, we looked at the money people earn from doing a job.

People are '**EMPLOYEES**' if they work for others (their '**EMPLOYER**').

Other people work for themselves and are '**SELF-EMPLOYED**'.



Dwight is an employee of the The Big Office, which decides his hours of work and his pay.

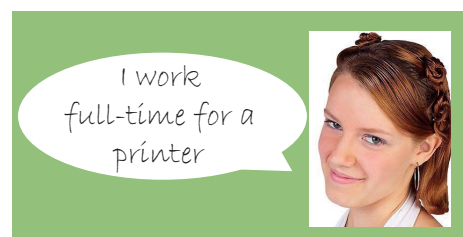
Jacki is self-employed and has a cake-decorating business. She decides her hours of work and what she can afford to pay herself.

FULL-TIME WORKING

Full-time work means working for the whole working day and week, all year except for paid holidays.

For offices and shops, this is often:

- ▶ 9am to 5pm;
- ▶ with one hour off for lunch;
- ▶ for five or six days a week.



SHIFTS



Some employers are open for more than eight hours a day, such as supermarkets, hotels and restaurants. They may even be open 24 hours a day – think of the police and hospitals.

They need staff for all the hours they are open, so their employees work in 'shifts'.

The working day is divided into different time periods. Each period is one 'shift'.

Quick Eats is a 24-hour restaurant in a motorway service station. The staff provide 24-hour cover by working in three eight-hour shifts:

- ▶ 10am to 6pm
- ▶ 6pm to 2am
- ▶ 2am to 10am

I work
the early morning
shift at Quick Eats



PART-TIME WORKING

People who work part-time do so for part of the employer's working day, week or year. They might, for example, work for:

- ▶ a few working hours each day;
- ▶ a few days in a working week; or
- ▶ several months in a year.

Full-time and part-time workers have the same legal rights.

The employment contract agreed between an employee and employer must state whether the employee is full-time or part-time.



Self-employed people can choose to work part-time if they wish.

Ivana is a self-employed writer who works four days a week.

ZERO-HOURS CONTRACTS



A zero-hours contract means the employer does not have to provide any minimum working hours, and the worker does not have to accept any work offered. The employee can leave at any time.

Zero-hours workers do not know from week to week whether they will be offered any work, or how many hours they might be offered.

This can make it difficult for zero-hours workers to manage their money.



Which types of employment are people in and how many hours do they work? Test your knowledge in **ACTIVITY 2A**.

WHAT ARE SOME GOVERNMENT BENEFITS?

EDUCATION MAINTENANCE ALLOWANCE



The EMA scheme is a weekly payment of between £10 and £30 a week, available to students over the age of 16 in full-time education studying in Northern Ireland, Scotland or Wales.

JOBSEEKER'S ALLOWANCE (JSA)

People who are not working might get benefit payments from the government. The main benefit for the unemployed is JSA. The amount paid depends on the claimant's age.

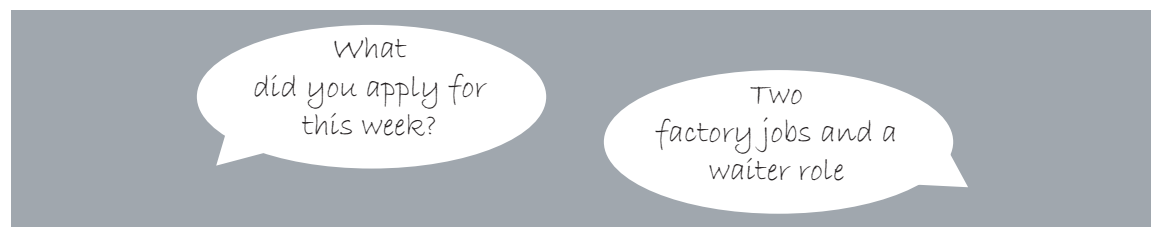
The government hopes to replace JSA, and certain other benefits, with one benefit called Universal Credit.

To get JSA, you must be:

- ▶ available for and actively seeking work;
- ▶ between 18 years old and state pension age; and
- ▶ working less than 16 hours a week on average.

You also need to attend an interview at the Jobcentre, where you set out the steps you will take to find work.

To keep getting the benefit, you have to attend regular job-search reviews.



- ▶ **CONTRIBUTION-BASED JSA** is paid to claimants who have made a sufficient amount of **NATIONAL INSURANCE CONTRIBUTIONS (NICs)** to qualify.
- ▶ **INCOME-BASED JSA** is for those who have not made enough NICs.

INCOME SUPPORT



Income Support may be paid if you are:

- ▶ aged 18 or over;
- ▶ cannot be available for full-time work; and
- ▶ do not have enough money to live on.

You can work up to 16 hours a week and still claim Income Support.

You won't get anything if you have a certain amount of savings, which the government expects you to spend first.

How much Income Support you receive depends on your situation, such as whether you are:

- ▶ a single parent;
- ▶ caring for someone who is sick or elderly; or
- ▶ pregnant or a new mother.



People who receive Income Support may also get financial help with their rent and council tax.

EMPLOYMENT AND SUPPORT ALLOWANCE (ESA)

ESA is paid to people who are disabled or ill and cannot work. After 13 weeks, the claimant is assessed to see whether they can do any kind of work.

If you have an illness or disability that greatly affects your ability to work, you receive increased financial support and do not have to prepare for a return to work.



Claimants are offered personal support via access to a personal adviser and a wide range of further services, including training, support and help finding suitable employment if they are able to work.

UNIVERSAL CREDIT

By 2022, JSA and some other benefits will have been replaced by Universal Credit.

Whether or not a person receives Universal Credit depends on their financial situation. The upper age limit is state pension age.

Universal Credit is for people whatever their employment status. This means they won't need to transfer between different benefits as they move in and out of work.

CHILD BENEFIT

Child Benefit is a payment that you can claim for your child if they are under the age of 16, or under 20 and in full-time education or approved training. The amount paid depends on how many children you have.

FACT FIND Visit www.gov.uk/child-benefit-rates to find out the current Child Benefit rates.

For households in which one parent earns £50,000 or more, Child Benefit reduces by 1% for every £100 over that amount.



Use **ACTIVITY 2B** to work out whether people might be eligible to claim certain benefits.

WHAT IS PENSION INCOME?

BASIC STATE PENSION



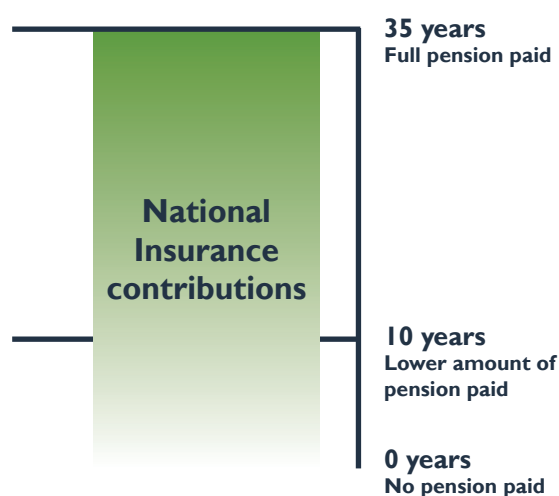
The basic state pension is paid to you by the government when you reach state pension age.

It is based on the number of 'qualifying years' gained through paying NICs.

People retiring after 6 April 2016 receive a flat-rate pension per week. Only individuals who have paid required NICs for 35 years get the full amount.

Anyone with under 10 years' NICs will not receive any state pension.

Carers (who look after others and so do not work) will be credited with NICs.



AUTO-ENROLMENT AND NEST

The state pension is not large, so people are advised to join a workplace pension scheme too. In 2009, only 50% of UK employees were members of their employer's pension scheme.

Since October 2012, employers have had to offer a pension scheme to their employees.

All workers who earn above a certain yearly amount are automatically enrolled into that scheme, although the employee can then choose to opt out.

The employer and employee both contribute to the scheme during the employee's working life.



Employers who had no scheme could either set one up or enrol their employees into the government's **NATIONAL EMPLOYMENT SAVINGS TRUST (NEST)**.

WHAT IS INVESTMENT INCOME?

If a person has a large sum of money (usually thousands) that they want to put away for a long time, this is an **'INVESTMENT'**.

Because the investor puts away the money for a long time, they have a wide range of choices:

- ▶ They can buy **SHARES** in a company, so that they own a tiny part of it. If it makes a profit, part of that profit is paid to them.
 - This income is called **DIVIDENDS**.
- ▶ They can buy **PROPERTY** and rent it out.
 - This income is called **RENT**.
- ▶ They can put it in a **BANK OR BUILDING SOCIETY ACCOUNT**. Because the investment is large, the investor will earn much more than someone who only saves a small amount.
 - This income is called **INTEREST**.



Investment income can be an important source of money, such as for those who are retired and no longer have a wage or salary.



The Student Investor Challenge is a competition where teams invest £100,000 of virtual money in the stock market. They look at market information to judge when to buy and sell shares to make a profit. Visit www.STUDENTINVESTOR.ORG to find out more.

WHAT IS INHERITANCE?

When people die, their money and possessions are given to other people who 'inherit' them.



A **WILL** is a document written by an individual (the **'TESTATOR'**) that gives instructions about what should happen to the things they own after they die. They must sign the will in front of two witnesses, who then also sign the will.

EXECUTORS are the people who carry out the instructions in the will. They collect all of the deceased person's possessions and money, known as the deceased's **'ESTATE'**.

In her last will and testament, Betty named her son Peter and his wife Mary as her executors.

People often name two or more executors so that if one dies, there is someone else to carry out the deceased's wishes.



Watch **BETTY'S LAST WILL AND TESTAMENT** to see how a family inherits the money and possessions of an estate.

INHERITANCE TAX (IHT)

When someone dies, before following the instructions in the will there may be IHT to pay the government.

IHT is only owed if the estate totals above a certain amount.

FACT FIND

Visit www.gov.uk/inheritance-tax/overview to find out the current IHT threshold.

ONLINE ACTIVITY

Calculate whether different people need to pay IHT in **ACTIVITY 2c**.

INTESTACY

If someone does not leave a will, they have died '**INTESTATE**'. The government has laws about how an estate should be given out if there is no will.

To avoid intestacy, you should make a will when you start to build up possessions.

For example, under the laws of intestacy, partners who are not married or in a civil partnership can't inherit.



Saskia is unmarried and dies without leaving a will.

Saskia's partner Wayne has no right to inherit her estate.

FACT FIND

Visit www.gov.uk/inherits-someone-dies-without-will to find out who inherits if someone dies intestate in different circumstances.

FURTHER ...

Complete the online activities and end-of-topic quiz to expand your learning for Topic 2.