**KEYWORDS**

**Saving** - This the part of our income that we choose not to spend.

we put the money aside to spend it sometime in the future. These

are generally low risk

**Investing -** This is putting money aside to try at get a return on

it in the future. There is a greater risk.

The main difference between Saving and Investing is the risk and

liquidity involved

**Liquidity** - This means how quickly you can get your money when

you need it

**Savings Account** -This type of account will give you a dividend at

the send o the year. You can put money into this account at any

time

**Dividend** - This is a payment to shareholders. The amount

received depend on the number of shares you have.

**Deposit Account** -There is a competitive rate of interest offer on

this type of account, but they are subject to DIRT.

**SELF TEST QUESTIONS**

1. Describe the term saving and borrowing and differentiate between the two

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1. List why and where people save

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1. List the service and product provide by financial institutions

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1. List the taxes that are applied to savings nad when it is best to save

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1. List the steps involved in calculating interest paid on loans

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**WHERE TO SAVE**

**REASONS FOR SAVING MONEY**

1. Future planned expenditure
2. For emergencies
3. For major family events
4. For retirements
5. To improve you credit rating

**SERVICE AND PRODUCT PROVIDE BY FINANICAL INSTITUTIONS**

1. Savings Account
2. Deposit Account (Demand, Term
3. ATM Card
4. Debit Card
5. EFT
6. Cheque Books
7. On line Banking

**FACTORS TO CONSIDER WHNE SAVING**

**Risk** -Will your saving be safe and secure?. Saving with An Post are state guaranteed which means you will definitely repaid by the Government

**Reward** - How much will you earn on your savings.it is a good idea to shop around for the best APR

**Liquidity** - Is it easy to withdraw (Take out) your saving if you need too? Some saving account require you to give them written notice and penalties may apply

**Taxation -** Will you have to pay taxation on your interest? DIRT is the tax on interest earned on savings.

**Convenience -**Is it easy to make regular lodgement and withdrawals – where is the financial institution located

**Future Benefits -** If you save in a financial institution that you want to borrow with in the future, you will have a credit history with them, and it might be easier to get a loan.

**Terms and conditions -**Are there fees and banking charges involved in operating a deposit account.

**CALCULATING INTEREST**

1. *Simple Interest*

This is also known as flat rate of interest and is the money earned by investing money (principal). A percentage of the principal is added to the principal to make it grow (Interest)

See page 88 of your test book for an example

1. *Compound Interest*

This is when the interest in added to the savings and that added interest also earns interest from them on. The saver is getting interest to their saving and interest on their interest. You will get more of a reward from compound interest than from simple interest

Annual Equivalent Rate (APR)