

Notes for parents of KS5 students.

It won't be long before your kids are able to borrow money and many of them will be moving out to go to university. Now is the ideal time to talk about their journey after school whether that is university or the workplace. How will they handle credit and do they know how income tax and pensions work. There is probably too much information to cover it all in one sitting but it is useful to discuss things every few months.

Budgeting

By now your child should be running their own budget. If not encourage and help them to write one especially with an eye to life after school. How do you manage with unexpected costs - talk together about this.

First Job

Talk to them about income tax and how it works. Look at the amount of tax you pay and how you pay it, perhaps through PAYE and perhaps you are self employed.

Pensions

Discuss national insurance contributions and how they go towards a state pension. Look at how much this is and when it is paid and also how this will be changing over the coming years.

What is a workplace pension? Do you contribute to one. Look at how this differs from the state pension.

Student Finance

If your son or daughter is looking to go onto university after school they will be entitled to some financial support via the student loan company. There may be an expectation for you to 'top up' the money your child is entitled to borrow with a parental contribution. There is a separate fact sheet on student finance on this page and a 20 minute video which will explain everything to you. Your child should have a good idea of how this all works so it is worth asking them to explain it to you - this will raise its own questions.

Credit cards

Discuss your experiences - bad AND good of using a credit card. Encourage them to look online at what is available. Show them how you manage your account. There is a whole section under topics on this.

Credit ratings

Your son or daughter may not even be aware that they will get a credit rating at 18. Go online to check yours. Explain if you can how your rating has gone up or down over time. What has affected it? There is a whole section under topics on this.

Mobile phone accounts

Encourage your child to start paying for their own mobile phone account from their bank account if they are not already doing so. If you want to help with this then pay the money into their account - this will help their credit rating. Do not pay it for them.

Terms that might be useful

Income tax

Tax on your earnings.

Everyone earning less than £125,000 gets a personal allowance which is tax free. This is currently £12,500. You can find your personal allowance from your tax code. Take off the letter and add another zero. That will be your personal allowance.

You pay 20% of your earnings over your personal allowance up to £50,00.

40% of earnings above this until £150,000 and 45% above this.

PAYE

Pay as you earn.

Employers deduct 1/12 of the expected annual tax bill every month. This isn't available to self employed people.

National Insurance

Monthly deduction which goes towards your state pension.

Can earn just over £8,000 without paying NI

12% of earnings between £8,000 and £45,000

2% above this.

NI contributions much lower than 12% if individuals are members of a company or personal pension scheme.

State pension

Money paid by the state to individuals. Currently about £170 per week paid to people who have paid full NI contributions above the age of 66. This age will increase in line with greater life expectancy.

Workplace pension

Lots of different schemes depending on employer. Many employers will match individual contributions to the scheme. All individual contributions are tax free. Current minimum age to withdraw pension is 55 though this will increase to 57 by 2028. Allowed to take 25% of the 'pension pot' tax free. After that all pension withdrawals are subject to normal income tax laws.

Student finance

See separate fact sheet