PERSONAL FINANCE

- Income is money received by individual, company, household or government
- Savings is money or financial assets stored for later use
- Wages are money paid on a regular basis for a period of work (commonly per hour)
- Salary is income paid on yearly basis
- Investing is putting your money somewhere where you can earn interest in it
- Intranet is restricted private computer network used by employer to communicate with organisation
- Award is minimum rate of pay and working conditions specified for particular job as set by industrial court
- Overtime is time worked over and above normal work hours
- Penalty rates is higher than normal wage rates to compensate for working outside normal hours
- Income earned by points 2, 3, 4, 5 or renting out property, payments from government, working on contract for organisations.
- Normally and 8 hour day but overtime results in penalty rates
- Salary earners not eligible for penalty rates as they have a fixed amount. Therefore they might have to work long hours just to finish the work
- Fringe benefits is payment of non-income items received in addition to normal wages or salary
  1. Flexi times= working a set number of hours but using different starting and finishing times
  2. Rostered day off= a day off to compensate for long extra hours
  3. Free or cheaper goods and services
- Profit is the reward for risk-taking, after selling something at a higher price than it cost to produce (income for individuals or companies through business.)
- Entrepreneurs are people who embark on owning and running businesses
- Hire is to have temporary use of an asset for a fee (when you rent out property etc. But you must keep it in good working order, therefore replacement of worn out items cost money)
- 4 other types of income=
  1. A fee is usually a set charge for the completion of a job or task. Professional people such as accountants, doctors, dentists and solicitors receive fees.
  2. A person acting as an agent or a ‘go-between’ may be paid a commission. When the product is sold, the agent will be paid a commission, which is a percentage of the selling price. For example, if a salesperson selling new cars arranges a sale of a $15 000 car, that person could receive a 10 per cent commission—$1500. Retainer is a base amount paid to an employee who also works on a commission basis. This is for people who want a stable income if they don’t sell that much.
  3. Royalty payment to a creator for the use of their product or invention. Copyright is the exclusive legal right to use created works such as books, music or dramatic works. Patent is an invention that has been registered and for which users must pay. Intellectual property is ownership of an idea, concept or original work for which payment may be due.
  4. A small number of people earn their income from prize money for professional sports. Tennis, golf, racing, athletics, boxing and wrestling are some examples. If prize money is a large part of your income, or you earn it regularly, you are called a professional for tax purposes.
- Social security and some tax from common population is paid to poor people to help them. They also don’t need to pay tax if their salary is below a certain amount.
- Saving for many reasons including buying stuff that is outside your income, saving until choice of purchase is clear, or to gaining deposit to show bank that you are eligible for a loan, or until any sort of setback in life, retirement.
- Consumer credit laws, that are designed to give consumers greater protection when they enter into credit contracts.
- 3 types of credit contracts:
  1. Credit sale contract is where person who sells you goods also provides credit.
  2. Loan contract is for loan of money.
  3. Cont. credit contract
- Credit contracts must be easy to read and understand for consumer (no confusion), state rights and responsibilities of borrower, and set out all costs involved.

**SAMPLE CALCULATION OF THE COST OF A LOAN**

Tori considered a loan of $12,000 for a new car she wanted to buy, to be repaid over four years (48 months). Her monthly instalment was determined by the amount of the loan and the rate of interest. The total amount she had to repay was then divided by 48.

Cash price: $12,000
Interest rate: 6%
Length of loan: 48 months
Total amount repayable: $12,000 + (6% x 4 years = $2880) = $14,880
Monthly repayments: $14,880 ÷ 48 = $310 per month

- Fixed interest is where interest rate remains same all the time but variable interest is where rates change according to economic situation.
- Buying on credit:
  1. You have to pay for the goods sooner or later, plus interest charges.
  2. Sign contract which outlines total amount of credit, credit charge and payable date, total cost, annual percentage of interest, instalment payments, what happens if you fail to make instalment payments,
- Budget is a plan of your income, spending and saving patterns for a period of time.
- Personal budget steps:
  1. Set all goals
  2. List all sources of income
  3. List all must pay expenses
  4. Record when income and expenses are due
  5. Plan to save regular amount
  6. Add safety valve in case of unexpected expenses.
- Insurance protect u from risk.
- When u take out insurance, u give a bit of money (premium which is amount payable for insurance)
- insurance policy a contract that sets out terms and conditions of insurance. (legal contract between u and insurer)
- Greater risk, higher insurance premium.
- Actuary is a person who calculates risk percentages for insurance purposes.
- Property insurance is designed to protect you from loss or damage to your property.
- indemnity protection against damage or loss.
- insurable interest a clause stating that the person taking out insurance on an item owns or has an interest in that property
- Poor budgeting can lead to Bailiff sEizure which is the court’s officer that can be instructed to go to your home, seize goods, sell them and use the proceeds to repay your creditors.
- Bankruptcy is where all of the affairs is placed in hands of official receiver (a person or company appointed by the court to take charge of the financial affairs of an individual or company)
- In bankruptcy, you will
  1- Lose credit rating
  2- Lost most of property
  3- Not be able to borrow over 500 dollars without declaring that u are bankrupt.
- Insolvent means when a company that owes more than it owns
- Liquidated is when a company is wound up because it cannot afford to continue trading
- Investing is a way to use savings to make money
- Put money into managed fund, or invest in stock market etc.
- Credit unions are owned by people who save and borrow with them.
- Other ways of investing
  ➢ Superannuation is a pension or regular allowance generally paid to a person on retirement.
  ➢ Speculation is buying assets with the intention of reselling at a profit.
  ➢ Shares, property, managed funds
- Broker is a person or company that acts on behalf of people wishing to buy or sell shares.
- Dividend is a payment made to shareholders resulting from a part of a company’s profits.
- Buying and selling real estate is another way but land is limited. Significant costs are involved.
- Types of superannuation funds=
  1- Accumulation funds, which grow according to the investment success of the fund
  2- Defined benefit funds, which are subject to a set formula.
- Managed fund=putting money in company with financial expertise. Company then reinvests your money in different products that mostly will get you financial gain.
- Capital gain is increase in value of asset held by person.

INVESTING

- Plan is to build up investment portfolio (a planned list with details of a person or a company’s investments)
- People who invest have many options=
  1- Buying shares
  2- Buying life insurance (a means of protection against loss of income or loss due to accident or death) poliies
3- Contributing towards superannuation (a pension or regular allowance generally paid to a person on retirement) schemes
4- Putting money into managed funds.
- Ethical investments is to invest in companies that do not harm anything in any way. Many investors want investments to reflect values.
- Interest rates are the cost of borrowing money; the return for lending money.
- How stock market works
  1- Company share offers are published in a booklet called a prospectus (a document outlining a company’s operations and inviting people to buy shares in it)
  2- Sell shares to people who become part owners and have equity (ownership and rights to an asset, such as shares in a company). Shares are issued at par value (the face value of shares when they are initially issued or sold) and then traded.
3- Shareholders receive a dividend
- Government bonds are issued to people or organisations who, in effect, lend money to the government in exchange for a rate of interest
- Debentures are like loan certificates. They are issued to people or organisations who lend money to companies and receive interest in their investment
- Life insurance pays money on the death of the insured or when the insured reaches a certain age.
- Fill in proposal form (a document completed by someone wanting to take out an insurance policy) then apply for life insurance
- Superannuation has advantage like a tax break. But you must pay bit of weekly income on superannuation.
- Fund manager is an organisation that supervises the investment of superannuation fund. They invest the money for most return.
- The rate of return on the investment is the percentage payout in relation to the amount invested. This interest is calculated using the following formula: Rate of return = Profit of investment/original investment x 100/num. of yrs.
  - Higher the risk, generally more it pays back
- Blue-chip portfolio is a set of investments that are considered very safe.
- Growth portfolio a set of investments that are designed to achieve asset growth.
- Income portfolio a set of investments that are designed to generate a regular income.
- Spreading the risk is to have investments in many things so loss is not imminent, but also gain is not much.

E COMMERCE
- Electronic commerce is when transactions involve internet
- Buying and selling goods online advantages include
  1- Anyone can access internet commerce
  2- Cheaper goods can be found online sometimes
  3- Almost anything you can buy
- Disadvantages include
  1- Sending credit card details to buy can be hacked and people can access personal details
  2- Sometimes the quality of goods is not as expected as you cannot feel it firsthand
  3- Overflowed with advertisements
- Encryption devices are special coding devices that secure internet transactions and make them impossible for computer hackers to access.
- Financial services from e commerce include
1. Internet banking which allow you to check account balances, make regular deductions, keep records of transactions etc. Watch out for scams (illegal or fraudulent business schemes that are designed to take money from people.)
2. Buying shares online (low brokerage sometimes) brokerage is the fee charged by a stockbroker for arranging the sale or purchase of shares
3. Pay tax online
4. Laws for e-commerce cover
   1. Advertising and marketing
   2. Spams and scams covering for consumers
   3. Copyright laws
   4. Privacy and defamation
   5. Paperless communication
5. Types of scams include mule spam—
   1. mule spam—job vacancy ads
   2. lottery spam—you send money to access a fake lottery win
   3. phishing spam—a fake email appearing to be from a bank
6. Privacy laws apply to stop defamation from ruining the reputation of a person
7. Email allows correspondence between people
8. Calendar program allows you to get organised
9. Videoconferencing allows you to have live talk with people around the world.
10. Laptops and internet allows people to work from anywhere and flexibility is offered.
11. With the access of email and other technological breakthroughs, mobile phones now have the term called ‘mobile office’
12. C-commerce is, in other words, an internet-based collaborative exchange of information systems, which is constantly changing.
13. Smart card allows you to buy low cost items anywhere in Australia.
14. E-tags (electronic tags) have been revolutionary. Motorists deposit money in an account using a credit card and the amount of the toll is deducted from the account each time the car passes the tollgate.

CHAPTER 1
1. WE all have needs, wants, and we look for goods and services and we are consumers.
2. Comparison shopping is essential to get thorough knowledge of goods to get best product.
3. Retail stores use advertising, personal selling (interacting with customers), customer comfort, customer convenience, store layout (impulse buying) to get profits.
4. Factory outlets are generally cheaper (straight from factory) but not as much convenience as retail stores.
5. Local markets are way cheaper than everything else as less overhead costs but quality is debatable.
6. Telemarketers sell through telephone, door to door selling is when people come to your door. High pressure sales allow cooling off period (period of time after transaction to cancel transaction before legal binding.) Mail order is when you order after seeing magazine newspaper (for people who live in isolated places.) People also buy and sell online.
7. Consumer decisions due to age, sex, finance, price, marketing, convenience, service.
8. Green consumer buy things that can be recycled and refuse excessive packaging, use cloth bag etc.
9. Caveat emptor means let the buyer beware, although this has changed now.
- Product standards cover safety for consumer and quality.
- False and misleading advertising is illegal. Retailer cannot forge price tags to fool customers, is special offers are there they have to supply it, bait and switch advertising is illegal.
- Misleading packaging is illegal. Foodstuff packaging must have info stating, price/kilo, should limit free space, use by date, ingredients list, no descriptive words, actual weight and dates, country of origin for imported goods. Textile products must show, product material, country of origin, flammability levels, and care for product.
- Warranty is a pledge or promise accepting responsibility to make good a defect in a product. Find out which faults covered etc. Warranty good only if dealer or manufacturer quality good. They have conditions to protect company from unreasonable claims.
- Unordered goods will come, do not throw or damage goods and write letter to seller. If 3 months with no response, you can keep goods.
- Ombudsmen investigates customer complaints. First, double check purchase, then contact dealer, then if that is not working, contact office of fair trading.
- Consumer claims tribunal is where court like procedures take place and judge tries to arrive at compromise with you and trader. Claims must be less than 10000 dollars.
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- Cash payments include, currency, cheques, lay by, debit cards, EFTPOS and it is simple, don’t get into debt, only buy what u afford.
- Credit payments include loans, credit cards, store change cards, book up and these allow you to not carry too much cash, easy to make purchases, still make purchases even with no cash on you.
- Legal tender is a form of money that is accepted by law as an acceptable medium of exchange.
- Currency is the official money (coins and notes) of a country.
- Counterfeit is currency that is not produced by the Reserve Bank and is therefore illegal.
- Lay by is paying deposit then paying instalments over period of time. It should indicate, purchase price of item, deposit required and date of final payment, amount of instalments, cancellation charges.
- credit cards are cards that are used to make purchases, where the amounts owing are paid at a later date
- debit cards are cards that are used by consumers to access funds that are already in their bank or other financial institution.
- Credit purchases=buy now, pay later. Sometimes interest is paid.
- Statement is a monthly account of all transactions that have taken place in a bank or credit account. Then customer pays it within certain timeframe.
- Terms and conditions of each card include annual fee, interest rates charged, interest free period.
- Phishing scams=pretending to be from a financial institution and using an email to request account information in the hope of luring people into providing personal information.
- Book up is credit given to consumers where a shopkeeper retains the customer’s debit or credit card and PIN as security for goods purchased. This is in remote areas with limited access to online banking facilities.
- Paying bills can be done in person, by mail, direct debit, by phone, BPAY, Paypal.
- Keeping record of finances is essential, via spreadsheet, database, or diary of protected book.