

Explained Simply: Money Matters

Your plain-English guide to UK money.

Payslips, budgets, saving, borrowing, student loans, pensions and scams, explained like a friend would, with every number checked for 2026/27.



Payslips



Budgeting



Bank accounts



Saving



ISAs



Borrowing



Student loans



Pensions



Insurance



Investing



Scams

by

MoneyBySharma

Figures checked October 2026 for the 2026/27 tax year (England). General information, not financial advice.

Your payslip, decoded

Where £2,500 a month actually goes



PAYSリップ		October 2026 · Tax code 1257L
1	Gross pay Salary £30,000 ÷ 12	£2,500.00
2	Income Tax Tax code 1257L	-£290.50
3	National Insurance Employee rate	-£116.16
4	Pension Your share	-£79.20
5	Student loan Plan 2	-£4.00
6	Net pay Lands in your bank	£2,010.14

- 1 **Gross pay**
Everything you earned before a penny comes off.

3 **National Insurance**
8% of pay above £1,048 a month. Builds your State Pension.

5 **Student loan**
9% of pay above £2,448 a month, rounded down to the pound.
- 2 **Income Tax**
20% of the pay above your tax-free £1,047.50 a month.

4 **Pension**
5% of pay above £520. Tax relief adds £19.80, your employer adds £59.40.

6 **Net pay**
Your real budget number. Plan with this, never with salary.

Think of gross pay as the whole pizza. Tax, NI, pension and student loan each take a slice before it reaches your plate. Your pension slice is still yours, just saved for later.

Example: £30,000 salary, paid monthly, standard tax code, minimum workplace pension (relief at source), Plan 2 loan. Your payslip will differ.

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Tax, NI & minimum pay

How the slices work, in plain English



% Income Tax bands, England 2026/27

SAME AS 2025/26

0%

Tax-free

Up to £12,570

20%

Basic rate

£12,571 to £50,270

40%

Higher rate

£50,271 to £125,140

45%

Additional rate

Over £125,140

Like stairs: each step only taxes the pounds standing on it. A pay rise into the 40% band only puts the extra pounds on the higher step, never your whole salary.

📋 National Insurance

8% of earnings between £12,570 and £50,270 a year, then 2% above. Employers pay their own 15% on top. Each year you pay it counts towards your **State Pension**.

👤 Self-employed?

You file a **Self Assessment** return and pay your own tax. NI is 6% of profits £12,570 to £50,270, then 2%. The first **£1,000** of side-hustle income is tax-free.

🕒 Minimum hourly pay from April 2026

21 AND OVER	18 TO 20	UNDER 18	APPRENTICE
£12.71	£10.85	£8.00	£8.00
National Living Wage	per hour	per hour	under 19 or first year

Earn over £100,000? Your tax-free allowance shrinks by £1 for every £2 above it, and is gone at £125,140. Scotland has its own bands.

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Budgeting that sticks

Give every pound a job before payday



BUDGET IN ONE SENTENCE

A budget is a plan for money you haven't spent yet. Like a sat nav, it doesn't stop the journey, it stops you getting lost.

Four steps, once a month

1 Start with take-home pay

Use the figure that lands in your account, not your salary.

3 Pay future you first

Set a standing order to savings for payday, before you spend.

2 List the must-pays

Rent, bills, phone, travel, debt repayments, subscriptions.

4 Share out the rest

Turn what's left into a weekly spending amount and stick to it.

A simple starting split

50%

Needs

Rent, food, bills, travel

30%

Wants

Eating out, hobbies, treats

20%

Future

Savings and paying off debt

Adjust it to your life. In a pricey city needs may be 60%+. Just decide on purpose.

Where money quietly leaks



Forgotten subscriptions

Not used it this month? Cancel it.



The 'it's only' trap

Delivery fees, in-app buys, small BNPL plans.



Little and often

A £4 coffee five days a week is about £1,000 a year.



Lumpy yearly costs

Birthdays, Christmas, car MOT. Divide by 12 and save monthly.

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Bank accounts & paying

Pick the right account and the safest way to pay



**Current account**
Your everyday hub: wages in, bills and card spending out. Comes with a debit card.

**Savings account**
Somewhere separate that pays interest, so spending money and savings don't mix.

**Basic bank account**
No overdraft, no credit check needed. A good start if you've been turned down.

 Ways to pay, and your safety net	
Debit card Spends your own money	Chargeback: your bank may claw back money if goods never arrive.
Credit card Spends borrowed money	Section 75: card firm shares responsibility for items over £100, up to £30,000.
Direct Debit A company pulls the amount	Good for bills that vary. Wrong payment? The Direct Debit Guarantee means a refund.
Standing order You push a fixed amount	Good for rent and moving money to savings on payday.
Bank transfer Instant, hard to undo	Check the name match warning. Never pay a stranger this way.

**Your shopping rights**
Faulty? You can reject it for a full refund within **30 days**. **Bought online?** Most goods can be cancelled within **14 days** of arrival, no reason needed.

**Is my money safe?**
If a UK bank or building society fails, the **FSCS** protects up to **£120,000** per person. Brands sharing one banking licence share one limit.

Current account = kitchen, savings = cupboard. Keep them apart and you'll snack less on your future.

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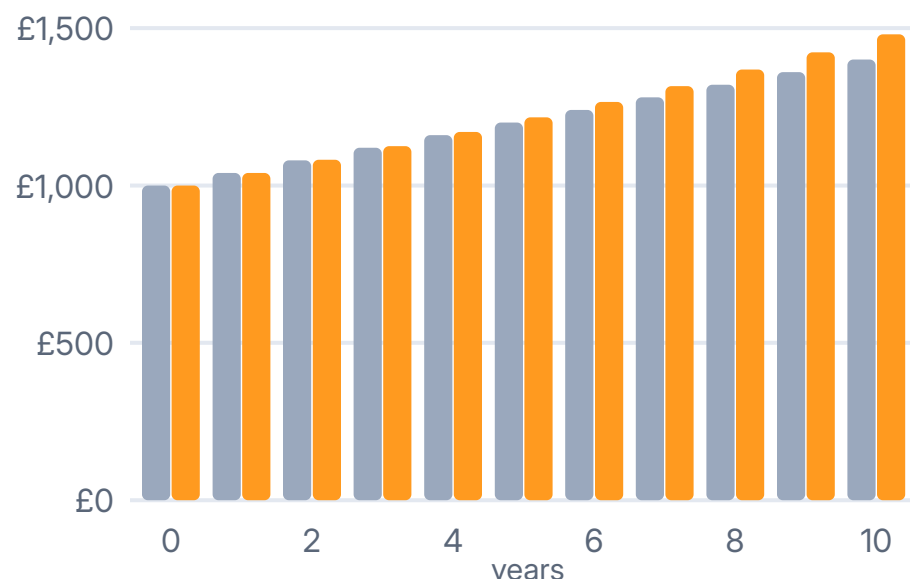
Saving & interest

Why time beats talent



 **£1,000 at 4% a year for 10 years**

GREY SIMPLE · ORANGE COMPOUND



£1,400

Simple interest: £40 a year, every year, on the £1,000 only.

£1,480

Compound interest: interest is added to the pot, then earns interest too.

Compound interest is a snowball: the longer it rolls, the faster it grows. Time does more of the work than the amount you start with.

AER

ANNUAL EQUIVALENT RATE

The yearly return after interest is added. 4% paid monthly works out at 4.07% AER. Compare AER with AER.

Inflation

PRICES GOING UP

The Bank of England aims for 2% a year. If your savings earn less than inflation, they buy less over time.

Tax

ON SAVINGS INTEREST

Many pay none: £1,000 of interest a year is tax-free for basic-rate taxpayers, £500 for higher rate. ISA interest is always tax-free.



Build a safety net first

Aim for one month of essential costs, then work up to **three to six months**. It turns a broken boiler from a crisis into an annoyance.



The rule of 72

Divide 72 by the interest rate to guess how long money takes to double. At **4%**, about **18 years**. At 8%, about 9.

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Where to keep savings

Accounts, ISAs and the 2027 change



Types of savings account

Easy access

Take money out any time. The rate can change whenever the bank likes.

Fixed term

Lock it away for, say, a year at a fixed rate. Usually no early access.

Notice

You give a set number of days' warning before withdrawing.

Regular saver

Pay in a set amount monthly. Good rates, but often on small sums.

ISAs: tax-free wrappers

£20,000 A YEAR

Cash ISA

18+

Tax-free savings account. Counts towards your £20,000.

Stocks & shares ISA

18+

Tax-free investing: funds, shares, bonds. Value can fall.

Lifetime ISA

open 18 to 39

Up to £4,000 a year plus a 25% bonus (max £1,000). For a first home up to £450,000, or from age 60. Other withdrawals lose 25%.

Junior ISA

under 18

Family can save up to £9,000 a year. The child gets it at 18.

An ISA is a gift box: it keeps tax out; you choose what goes in.

£12,000

Coming in April 2027: under-65s will only be able to put £12,000 a year into cash ISAs. The overall £20,000 stays; the rest can go into stocks and shares.

Before you pick: compare AER, access rules and FSCS protection.

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Borrowing & credit

Know the true cost before you sign



% APR: the price tag

The **yearly cost** of borrowing, interest plus compulsory fees. Like price per litre at the pump, it lets you compare fairly. A **representative APR** only has to go to 51% of people accepted, so you may be offered more.

✓ Your credit score

Lenders read your **credit file** to judge if you'll repay.

- ✓ Register to vote at your address
- ✓ Pay every bill on time
- ✓ Use well under your credit limit
- ✓ Check your free report: Experian, Equifax, TransUnion

⚖ The borrowing ladder

↑ USUALLY CHEAPER

COSTLY OR DANGEROUS ↓

Credit union or 0% deal	Often cheapest if repaid on time
Personal loan	Fixed payments, fixed end date
Credit card	Fine if cleared in full; costly if not
Overdraft	For a few days, not a way of life
Payday loan	Capped at 0.8% a day, still very costly
Loan shark	Illegal. Stop Loan Sharks: 0300 555 2222

📁 Overdrafts & BNPL

Overdrafts charge one simple interest rate, no daily fees, but it's often high. **Buy now, pay later** is regulated from 15 July 2026: lenders must check you can afford it.

♥ Struggling with debt?

Get **free** advice from MoneyHelper, StepChange or Citizens Advice. **Breathing Space** can pause most interest and creditor action for up to **60 days**.

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Student loans, simply

England: tuition, living costs and repaying



 **Tuition Fee Loan**

Up to **£9,790** a year (2026/27), paid straight to your university. You never see it.

 **Maintenance Loan**

For rent and food. Up to **£9,118** at home, **£10,830** away, **£14,135** in London. Less if household income is higher.

	Plan 2 England, older courses	Plan 5 England, newer courses
WHO	Started 1 Sep 2012 to 31 Jul 2023	Started from 1 Aug 2023
YOU REPAY	9% of income over £29,385	9% of income over £25,000
INTEREST NOW	4.1% to 6%, by income	4.1% (inflation only)
WIPE AFTER	30 years	40 years

 **What you actually repay**

On Plan 5 earning **£30,000**: $(£30,000 - £25,000) \times 9\% = \textbf{£450 a year}$, about **£37.50 a month**, taken through payroll. Earn under the threshold and you pay nothing.

It behaves more like a 9% graduate tax than a bank loan. Your monthly payment depends on your pay, not on how much you owe.

Think before overpaying. If you're unlikely to clear the loan before it's wiped, extra payments may not save you anything. Plan 2's threshold is frozen at £29,385 until April 2030.

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Pensions, simply

Free money most people ignore



PENSION IN ONE SENTENCE

A pension is a savings pot for older you, with two bonuses: your employer chips in, and the government adds back tax.



State Pension From the government

- ✓ Full new State Pension: **£241.30 a week**
- ✓ Need **35 qualifying years** of NI for the full amount, 10 for any
- ✓ Starts at State Pension age, rising from **66 to 67** during 2026 to 2028



Workplace pension Through your job

- ✓ Automatic if you're **22+** and earn **£10,000+** a year
- ✓ At least **8%** of pay between £6,240 and £50,270: **3%** employer, **5%** you
- ✓ Your 5% includes tax relief



Personal pension You set it up yourself

- ✓ For the self-employed or topping up
- ✓ Tax relief: you pay **£80**, your pot gets **£100**
- ✓ Usually locked until **55**, rising to **57** from April 2028

£158

A month into your pension on a **£30,000** salary at the legal minimum. You pay **£79** of it. The other half comes from your employer and tax relief.

✗ Opting out?

It's like turning down a pay rise. You lose your employer's share, not just your own.

🔍 Check your record

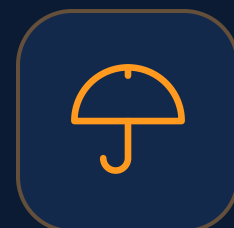
Get a free **State Pension forecast** on gov.uk and find old pots with the **Pension Tracing Service**.

Pension scam warning: anyone offering to unlock your pension before 55, or 'free reviews' out of the blue, is a red flag.

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Insurance & investing

Protect first, then grow



Insurance: protect what you can't afford to lose



Contents

Your stuff, even if you rent.



Travel

Medical bills abroad can be huge.



Motor

Third party is the legal minimum to drive.



Life & income

When others rely on your pay.

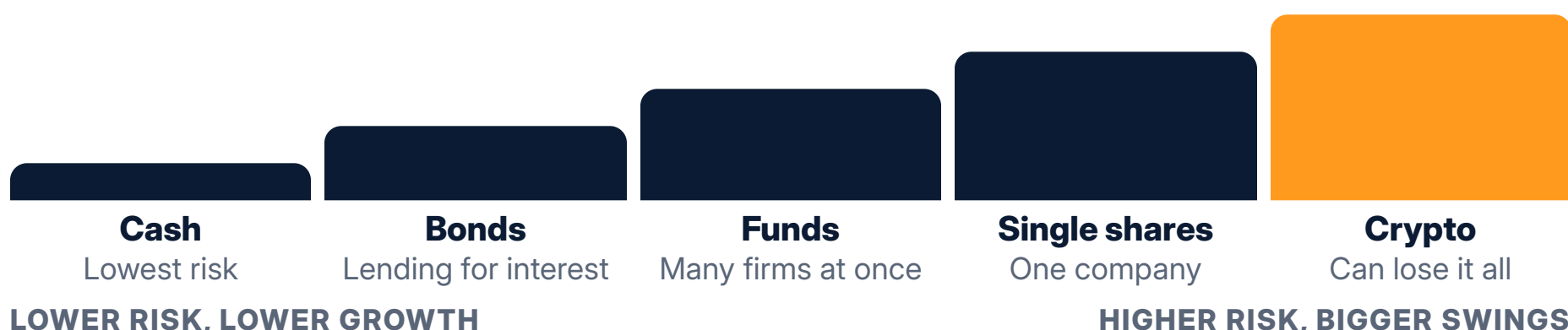
Premium: what you pay for cover

Excess: the part of a claim you pay yourself

Claim: asking the insurer to pay out

A shared umbrella: many people chip in a little so the unlucky few don't get soaked. Check what you're already covered for before buying more.

Investing: owning a slice of things



Emergency fund first

Keep 3 to 6 months of costs in cash before investing.

Spread it out

A fund holding many companies beats betting on one.

Think 5+ years

Only invest money you won't need for at least five years.

Watch the fees

A 1% yearly fee quietly eats a big slice over decades.

Protection has limits. The FSCS covers up to **£85,000** if an investment *firm* fails, not if your investments fall in value. Crypto usually has no protection at all. Gambling isn't investing: the odds are built for the house.

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Scams & fraud

If it's urgent, secret or too good to be true, stop



RED FLAGS: ANY ONE MEANS STOP

⚠ It came out of the blue

⚠ You're rushed or scared

⚠ They want a code, PIN or password

⚠ Move money to a 'safe account'

⚠ Returns that sound too good

⚠ Pay by transfer, gift card or crypto



Fake bank call

Your 'bank' says your account is at risk and you must move money. Banks never ask this.



Phishing texts and emails

A parcel fee, tax refund or account lock. The link steals your details.



Purchase scams

Cheap tickets, phones or pets online, paid by transfer. Nothing arrives.



Investment and crypto

Guaranteed big returns, often pushed by a 'friend' or celebrity ad.



Money mule offers

'Earn cash for letting money pass through your account.' That's a crime.



Identity theft

Stolen details used to borrow in your name. Check your credit file.

STOP

Hang up. Don't click. Take five minutes.

CHECK

Call **159** to reach your bank. Check firms on the FCA Firm Checker.

REPORT

Tell your bank fast. Report to **Report Fraud**: 0300 123 2040. Forward scam texts to **7726**.



Tricked into a bank transfer?

Tell your bank straight away. For UK transfers since October 2024, banks must usually refund scam victims up to **£85,000** if you report within **13 months**.

Think of scammers as actors: the script is urgency and fear. Hanging up ends the play.

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Money words, decoded

18 terms you'll meet on statements and payslips

**AER**

The true yearly interest on savings, so you can compare accounts.

APR

The yearly cost of borrowing, including compulsory fees.

BNPL

Buy now, pay later: split a purchase into instalments.

Compound interest

Interest that earns interest. Works for savers, against borrowers.

Credit file

Your borrowing history, kept by credit reference agencies.

Default

When you miss payments badly enough that the lender gives up on the deal.

Direct Debit

Permission for a company to take varying payments from your account.

Dividend

A share of a company's profit paid to its shareholders.

Excess

The part of an insurance claim you pay yourself.

FSCS

Protects up to £120,000 per person if your bank goes bust.

Gross / net

Pay before deductions / pay after them.

Inflation

Prices rising, so each pound buys a little less.

ISA

A tax-free wrapper for savings or investments.

National Insurance

A tax on earnings that also builds your State Pension.

P45 / P60

P45: what you get when you leave a job. P60: your yearly pay and tax summary.

Personal Allowance

Income you can earn each year before Income Tax: £12,570.

Premium

What you pay for insurance, monthly or yearly.

Tax code

Tells your employer how much tax-free pay you get. Usually 1257L.

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Mistakes everyone makes

And the simple fix for each one



Budgeting with your salary

Instead: Plan with net pay. £30,000 a year is about £2,010 a month after deductions.



Opting out of the workplace pension

Instead: Stay in. You'd be turning down your employer's money and the tax relief.



Paying only the credit card minimum

Instead: Pay in full by Direct Debit, or as much as you can. The minimum mostly feeds interest.



Never checking your tax code

Instead: Check it in the HMRC app each April and after a job change. Wrong codes cost money.



Savings sitting in a 0% account

Instead: Move them somewhere that pays a decent AER, ideally in an ISA.



BNPL for everyday spending

Instead: Treat it as a loan. If you can't pay today, ask if you'll really pay next month.



Moving money because a caller said so

Instead: Hang up and call 159. A real bank will never rush you.



Ignoring debt letters

Instead: Open them. Free advice from MoneyHelper, StepChange or Citizens Advice can pause the pressure.

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Keep these **numbers** handy

£12,570

Personal Allowance: earn this tax-free

20% / 40%

Income Tax rates, higher rate from £50,271

8% / 2%

Employee NI, 2% above £50,270

£12.71

National Living Wage per hour, age 21+

£20,000

Yearly ISA allowance (cash: £12,000 from Apr 2027, under-65s)

£120,000

FSCS savings protection per person, per banking licence

£241.30

Full new State Pension a week

8%

Minimum workplace pension, 3% from employer

£29,385

Plan 2 student loan repayment threshold

£25,000

Plan 5 student loan repayment threshold



Save it

For your next payslip or tax code letter.



Share it

With someone starting their first job.



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