

Savings accounts and ISAs

Different accounts do different jobs. Which does what?

Answers and teaching notes

For the teacher

- **Aim:** Pupils know how the main types of savings account and ISA work, use the AER to calculate and compare interest, and match account features to different savers' needs.
- **Curriculum links:** Financial Education Planning Framework, ages 14 to 16: how to manage money (saving, AER) and becoming a critical consumer (comparing financial products). Maths: percentages, simple and compound interest. Citizenship: savings and financial products. PSHE: economic wellbeing.
- **Watch first:** the Penny Explains video "What is an ISA?" at pennyexplains.com.
- **Starter:** Ask: if you had £500 to put away, what would you want to know about the account? Collect ideas (interest, access, safety) and tick them off during the lesson.
- **Support:** Remind pupils that 4% of an amount is the amount × 0.04, and that 25% is one quarter. Do the first row of activity 3 together.
- **Stretch:** Ezra's £1,500 at 4% AER: what is it worth after 5 years if he leaves all the interest in? (£1,500 × 1.04^5 = £1,824.98.)
- **Note:** account names and rates are made up. A Lifetime ISA has a 25% charge if money is taken out for anything other than a first home (up to £450,000) or after age 60. This sheet explains how products work. It does not recommend any of them.
- **Total:** 39 points. Suggested answers are shown in red; accept any answer that is well reasoned.

I can...

- ☐ I can describe easy access, notice, fixed-rate and regular saver accounts.
- ☐ I can explain what an ISA is, and the main types and limits.
- ☐ I can calculate interest using the AER, and the Lifetime ISA bonus.

Key words

AER: Annual Equivalent Rate: the interest you would earn over a year, so accounts can be compared fairly.

ISA: Individual Savings Account. Interest and growth inside it are tax-free.

ISA allowance: the most you can pay into ISAs in a tax year (£20,000).

FSCS: the scheme that protects savings up to £120,000 per person, per bank, if a bank fails.

1 Savings accounts at a glance

6 points

Use the words in the box to finish the sentences. Use each word once.

month | easy access | notice | regular saver | overdraft | fixed-rate | AER | APR

An **easy access** account lets you take money out whenever you like. With a **notice** account you must tell the bank in advance, for example 90 days before. A **fixed-rate** account locks your money away for a set time at a rate that does not change. A **regular saver** expects you to pay in every **month**. To compare accounts fairly, look at the **AER**.

2 ISA facts

4 points

Circle one letter for each question.

a) What is the main advantage of an ISA?

- A The government guarantees you a profit
- **B** You pay no tax on the interest or growth
- C You can borrow from it at 0%
- D It always pays the highest rate

b) How much can an adult pay into ISAs in total in the 2026 to 2027 tax year?

- A £4,000
- B £9,000
- **C** £20,000
- D £120,000

c) What is the yearly limit for a Junior ISA?

- A £4,000
- **B** £9,000
- C £20,000
- D £120,000

d) At what ages can someone open a Lifetime ISA?

- A 16 to 25
- **B** 18 to 39
- C 18 to 60
- D Any age

3 Compare the accounts

5 points

Ezra, 17, has **£2,000** from his weekend job. He looks at three made-up accounts at Kestrel Bank. Work out the interest each would pay in one year.

Account	AER	Getting your money out	Interest on £2,000 in a year
Easy Saver	3.0%	Any time	**£60**
90-Day Notice	3.8%	Give 90 days' notice	**£76**
2-Year Fixed	4.5%	Locked in for 2 years	**£90**

a) How much more does the 2-Year Fixed pay in a year than the Easy Saver? What does Ezra give up in return? 2 marks

> £30 more (£90 – £60). In return he cannot get at his money for two years.

4 Odd one out

6 points

Circle the odd one out in each row. Say why.



Penny says: Cash savings earn interest and are protected by the FSCS up to £120,000. Investments can grow more over time, but their value can fall as well as rise.

Cash ISA	Lifetime ISA	Stocks and shares ISA	**Current account**

Why? A current account is for everyday spending. The others are types of ISA.

Notice account	**Overdraft**	Fixed-rate account	Easy access account

Why? An overdraft is a way of borrowing. The others are savings accounts.

£120,000	£20,000	£9,000	£4,000

Why? £120,000 is the FSCS protection limit. The others are yearly ISA limits (adult, Junior and Lifetime).

5 Interest and bonuses

8 points

Show your working in the box.

a) Ezra puts £1,500 into an account paying 4% AER. How much interest does he earn in one year?

Working
0.04 × £1,500 = £60

Answer: £60

b) He leaves the £1,500 and the interest in for a second year at 4%. What is the balance after two years?

Working
After year 1: £1,560
£1,560 × 1.04 = £1,622.40

Answer: £1,622.40

c) Lena, 24, pays £4,000 into a Lifetime ISA this tax year. The government adds a 25% bonus. How much is the bonus?

Working
25% of £4,000 = £4,000 ÷ 4 = £1,000

Answer: £1,000

d) Next year Lena can only manage £150 a month. How much bonus does she get for that year?

Working
£150 × 12 = £1,800
25% of £1,800 = £450

Answer: £450

6 Who is looking for what?

6 points

Each of these made-up people wants something different. Draw a line from each account to the person whose wish list it fits.

Easy access account	Marcus wants an emergency fund he can reach on the same day
Fixed-rate account	Priya, 30, wants to invest for 20 years or more and accepts ups and downs
Regular saver	Lena, 24, is saving for her first home and would like a government bonus
Junior ISA	Nadia will not need her £5,000 for two years and wants a rate that cannot change
Lifetime ISA	Omar wants to build a habit by paying in £50 every month
Stocks and shares ISA	Kofi is 15. His gran wants to put money aside for him until he is 18

7 What would you do?

4 points

On your 18th birthday a relative gives you £1,000. You will need some of it for driving lessons this year, and you would like to buy a home one day. Which kind of account or accounts would you look at, and why?

> **No single right answer. Good answers match accounts to goals: for example easy access for the driving-lesson money needed soon, and a Lifetime ISA (25% bonus) or a cash ISA for the long-term home goal. Reward reasoning about access, time, the AER and FSCS protection.**

8 Before you go

One thing I learned today

One question I still have

How sure do I feel?

Not yet · Getting there · Got it

Take it home

Look up the AER on two savings accounts advertised by any bank or building society. Which pays more, and what is the catch: notice, a fixed term or a monthly limit?

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Figures for the 2026 to 2027 tax year. Education, not financial advice.