Why Households Save

Q1 Complete the sentences using the words in the box. Each word is used once. Answers in **BOLD**.

1. Saving means not spending all of your INCOME.
2. Money saved in a financial institution earns INTEREST as a reward.
3. DIRT is the tax charged on interest earned from savings.
4. BORROWING allows a household to buy something now and pay for it over time.

Q2 Anna has started her first job and decides to start saving. Outline **three reasons** for saving.

1. To afford large expenses or unexpected costs in the future without having to borrow.
2. To earn interest on savings, which increases the value of her savings.
3. To provide an income during retirement by saving into a private pension. (Also acceptable: to improve her credit rating by showing she does not spend all of her income.)

Q3 Becky saves €50 each week from her wages.

(i) Opportunity cost: The goods and services Becky goes without each week by saving the €50, eg a night out or new clothes.
(ii) One risk of some savings accounts: In a notice or fixed-term deposit account, her savings cannot be withdrawn straight away, so she may not be able to access her own savings in an emergency.
(iii) One risk of not saving: Becky may not be prepared to pay for unexpected expenses. (Also acceptable: she may not be able to afford a deposit to buy a home, or have a good standard of living during retirement.)

Where Can a Household Save?

Q5 A household can save its money in different types of financial institution. Give **two reasons** why a household might choose to save their money in a financial institution.

1. Savings in a financial institution earn interest, which increases the value of the money.
2. Regular saving builds a credit record with the financial institution, which can help when applying for a loan.

Q6 Donncha and Clare Brady live in Ennis and want to save for a new family car. They are looking at using either their local Credit Union or An Post. Suggest a **different** reason they might have for each option.

Credit Union: Credit unions are member-owned financial co-operatives, so the Bradys would be saving with a local organisation owned by its members that provides savings and loan services.
An Post: An Post is government-owned, and some of its savings accounts and products may not charge DIRT on the interest earned.

Q7 Match each type of savings account to its correct description by writing a number in the grid.

A	B	C
3	2	1

Calculating Interest and DIRT on Savings

Q8 In June 2026 the ECB announced that interest rates are going to increase.

(i) Circle: Increase. Reason: higher interest rates mean savers earn a greater reward on their savings, which encourages households to save more.
(ii) Interest: €120 Workings: €4,000 × 0.03 = €120
(iii) DIRT: €39.60 Workings: €120 × 0.33 = €39.60
(iv) Total savings after one year: €4,080.40 Workings: €4,000 + (€120 - €39.60) = €4,080.40

TOP TIP: For all calculations with money, make sure to include the € sign in your answer, and use two decimal places. Don't round savings or loan answers to the nearest Euro.

Q9 Ailbhe has earned €300 interest on her holiday savings. The interest is subject to DIRT at a rate of 33%.

(i) DIRT stands for: Deposit Interest Retention Tax.
(ii) DIRT due: €99 Workings: €300 × 0.33 = €99

Q10 Marc has earned €150 interest on his savings, which is liable for DIRT at a rate of 33%.

(i) DIRT: €49.50 Workings: €150 × 0.33 = €49.50
(ii) Interest Marc keeps: €100.50 Workings: €150 - €49.50 = €100.50

Q11 Nadia has €5,000 in a deposit account at an interest rate of 4%. DIRT is charged at 33%. Calculate the total value of Nadia's savings after one year.

Total savings: Workings: Interest: €5,000 × 0.04 = €200. DIRT: €200 × 0.33 = €66. Total: €5,000 + (€200 - €66) = €5,134

Q12 Aoife plans to save €10,000 this year and compares An Post (3%, no DIRT) with Revolut (4%, DIRT 33%).

An Post	Revolut
Workings: €10,000 × 0.03 = €300 interest. No DIRT to be deducted. Total: €10,000 + €300 = €10,300	Workings: €10,000 × 0.04 = €400 interest. DIRT: €400 × 0.33 = €132. Interest - DIRT: €400 - €132 = €268. Total: €10,000 + €268 = €10,268
Interest received: €300	Interest received: €268
Total savings: €10,300	Total savings: €10,268

Why Households Borrow

Q13 The Keogh household's washing machine has broken down and they do not have enough savings to repair or replace it. Explain **two reasons** why a household may decide to borrow.

1. To buy something that cannot be afforded immediately, eg replacing the broken washing machine now and repaying the loan with interest over time.
2. To deal with emergency or unexpected costs that savings cannot cover. (Also acceptable: to spread the cost of large purchases over time.)

Q14 Dervla wants to take out a loan to buy a car. Identify **three factors** Dervla should consider before borrowing the money.

1. The total cost of the loan - the interest and fees that increase the amount that must be repaid.
2. Whether she can afford the repayments - loan repayments reduce the disposable income she has for other spending.
3. The risk to her credit rating - missing repayments can damage her credit rating and make future borrowing harder.

Q15 Fionn is thinking about borrowing for the first time. Explain **two risks** of borrowing for Fionn.

1. Missing repayments can damage his credit rating, making it harder to borrow in the future.
2. Borrowing can cause financial stress if repayments become difficult to manage. (Also acceptable: he could lose an asset given as collateral if he defaults on the loan.)

Q16 The Quinn household apply to their bank for a loan. Identify **three things** the bank may look for from the Quinns before approving the loan.

1. Evidence of a regular income, to show they can afford the repayments.
2. A good credit rating, showing they have managed borrowing and repayments well in the past.
3. Collateral (security), eg an asset the bank can take if the Quinns default on the loan.

Sources of Finance for a Household

Q17 Tick whether each source of finance is **short-term**, **medium-term** or **long-term**.

Source of finance	Short-term	Medium-term	Long-term
Medium-term loan		✓	
Mortgage			✓
Credit card	✓		
Leasing		✓	
Bank overdraft	✓		
Long-term loan			✓
Hire purchase		✓	
PCP		✓	

Q18 Suggest a suitable source of finance for each purchase, using each source from the box once.

Buying a house: Mortgage.	
Buying a car: PCP.	
Buying new furniture: Hire purchase.	
Petrol for your car: Credit card or bank overdraft.	
Buying groceries: Credit card or bank overdraft.	
Paying a phone bill: Credit card or bank overdraft	

Q19 Conn pays for his weekly shopping with a credit card, but he does not pay off the balance in full each month.

(i) One cost: Interest is charged on the unpaid balance each month, so Conn pays more than the original price of his shopping. (Also acceptable: the annual Stamp Duty charged on the card.)
(ii) One risk: It is easy to overspend with a credit card and build up debt that becomes difficult to repay, which can damage his credit rating.

The Cost of Borrowing

Q20 Niall wants to borrow €6,000 over 36 months from his credit union to buy a car.

(i) Total repaid in one year (monthly option): €2,246.40 Workings: €187.20 × 12 = €2,246.40
(ii) Total interest on the weekly option: €723.60 (from the loan calculator table).

Q21 Orla buys a sofa priced at €1,200 with a 12-month personal loan from the bank, repaid with interest at €106.50 per month.

Total Orla will pay for the sofa: €1,278 Workings: €106.50 × 12 = €1,278
Interest Orla will pay: €78 Workings: €1,278 - €1,200 = €78

Q22 Dara buys an e-bike priced at €2,400 using a personal loan, repaid with interest over 24 months at €109.90 per month.

(i) Total cost of the loan: €2,637.60 Workings: €109.90 × 24 = €2,637.60
(ii) Total interest: €237.60 Workings: €2,637.60 - €2,400 = €237.60

Q23 Petra gets a 1-year loan of €3,000 to buy kitchen appliances, at an interest rate of 6%, repaid with interest in 12 equal monthly repayments.

(i) Interest: €180 Workings: €3,000 × 0.06 = €180
(ii) Total cost of the loan: €3,180 Workings: €3,000 + €180 = €3,180
(iii) Monthly repayment: €265 Workings: €3,180 ÷ 12 = €265

Q24 Cillian repays €92.40 per month for 18 months on a furniture loan of €1,500.

(i) Total cost of the loan: €1,663.20 Workings: €92.40 × 18 = €1,663.20
(ii) Total interest: €163.20 Workings: €1,663.20 - €1,500 = €163.20

Q25 Lucy wants to buy a bed costing €1,800. Option A: bank loan, 12 monthly repayments of €164.25. Option B: 1-year credit union loan at an interest rate of 9%.

(i) Option A total cost: €1,971 Workings: €164.25 × 12 = €1,971
(i) Option B total cost: €1,962 Workings: Interest: €1,800 × 0.09 = €162. Total: €1,800 + €162 = €1,962
(ii) Option A interest: €171 (€1,971 - €1,800). Option B interest: €162.
(iii) Option: Option B - the credit union loan. Reason: the total cost is €9 lower (€1,962 v €1,971), so Lucy repays less interest for the same bed.

Q26 Oisin needs to borrow €9,000 over 2 years to buy a car. Option A: one repayment of €9,868 after 2 years. Option B: 24 monthly repayments of €399.

(i) Option B total cost: €9,576 Workings: €399 × 24 = €9,576
(ii) Option A interest: €868 (€9,868 - €9,000). Option B interest: €576 (€9,576 - €9,000).
(iii) Option: Option B - the monthly repayments. Reason: the total interest is €292 lower (€576 v €868), so the loan is repaid with less interest overall.

Keyword Recap - Fill in the Blanks

Sentence	Answer
________ is the reward paid by a financial institution for saving money.	INTEREST
________ is the tax charged on interest earned from savings.	DIRT
A ________ deposit account lets money be withdrawn at any time, but pays lower interest.	DEMAND
A ________-term deposit account locks savings away for a set period and pays the highest interest.	FIXED
A bank ________ allows a current account holder to withdraw more than is in their account, up to an agreed limit.	OVERDRAFT
________ purchase means buying an item in instalments, with ownership transferring after the final payment.	HIRE
________ is renting the use of an item for a period of time without owning it.	LEASING
A ________ is a long-term loan used to buy property, usually repaid with interest over 20-35 years.	MORTGAGE
________ (security) is an asset a lender can take if a borrower defaults on a loan.	COLLATERAL
________ shows the total cost of a loan as an annual percentage rate.	APR