

Raise

Saving to buy
your first home

16 – 19

Teacher Guide



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Background

Further information on this topic for students

This guide can be used alongside our app, Raise, a resource designed to take you on a virtual journey spanning the next forty years of your life. Saving for a house or flat deposit might seem like an impossible task and, although the first step to doing this may sound like an obvious one, opening a 'regular savings account' is the first positive move you could make.

Regular savings accounts allow you to pay in and withdraw your money easily. As you build up your savings it might be a good idea to consider putting some of it away in a Notice Account. 'Notice' simply means that you need to ask to withdraw your money and then wait for a set amount of time, often 30, 60, or 90 days. Notice accounts generally offer higher rates of interest than easy access accounts. You shouldn't plan to access your funds immediately and, if you don't wait that agreed amount of time before you can take money out, you could end up paying a penalty. Remember, it is important to have funds you can get to at short notice.

DID YOU KNOW?

There are free apps that make saving that little bit easier by putting away the extra pennies on your purchases into savings. All these apps and features work by rounding up anything you spend to the nearest pound and then stashing away the difference. For example, if you spend £3.65 these apps will charge your account £4 and put that 35p difference into another account or a separate savings pot. They all have different features, so it might be worth checking to see if one of these might help you get into the habit of saving.

Once you've got your easy-access savings sorted you might want to think of something that is specifically designed for first-time buyers.

DID YOU KNOW?

An ISA, or Individual Savings Account, is a savings account that you don't need to pay any tax on. There is a limit to the amount of money you can save or invest in an ISA in a single tax year – also known as your annual ISA allowance. There are different types of ISAs and a Lifetime ISA is just one type. You can hold cash or stocks and shares in your Lifetime ISA, or have a combination of both.

We explain 'stocks and shares' in more detail in our Teachers Guide - Ready to Invest.

A Lifetime ISA (Individual Savings Account) allows you to save towards buying your first home or retirement. You can open one at 18 and the Government will give you a 25% bonus on anything up to £4,000 that you save, every year up to the age of 50. Here are some of the main features of this account.



Lifetime Individual Savings Account - LISA

How old do I need to be to open this account?

18

'Ties in nicely with your Child Trust Fund maturing'

At what age is this account no longer available?

39

'Don't hang about! You need to have it opened for 12 months before you can use it towards buying your house.'

How long can I pay into this account?

Until your 50th birthday

'That's £1,000 if you pay in the maximum amount.'

What Government bonus will I get?

25% of what you have paid in, up to a maximum of £1,000 per year.

What is the minimum I can open this account with?

Normally £1

What is the maximum I can pay into this account each year?

£4,000

'Haven't got that much? Doesn't matter, anything you pay in, no matter how small will build up over time.'

Is there a penalty for taking money out early?

'Be careful here! You could get back less than you paid in.'

Yes, 25% of the funds withdrawn

What are the maximum bonuses I can get?

£33,000

'That's paying in the max contribution of £4,000 each year from age 18 to 50.'

Yes, you can use it to save for retirement and still get the 25% bonuses. After your 60th birthday, you can take out all the savings tax-free

Is there a limit to the price of the property I can buy?

Yes, the purchase price of the property must not exceed £450,000.

Can I keep this account going after I buy my first home?

NOTE: These accounts are limited to one per person rather than one per home – so two first-time buyers can both receive a bonus when buying together.

Where can I find out more?

Official Lifetime ISA info here: <https://www.gov.uk/lifetime-isa>

Lesson Plan

Links to the Financial Education Planning Framework:

I can appreciate that there is a wide range of financial products that cater for different needs and that I should seek out those which are appropriate to me.

I can choose and work out the costs and benefits of the financial products I need now and in the future.

Buying a first home is a major life goal for many, but it's often a longer journey than expected. With the average UK first-time buyer age around 34, students can benefit from early awareness of the costs involved to encourage them to start saving earlier. This guide provides an overview of homeownership steps, helping to prepare students for this future milestone, regardless of when they might reach it.

Activity 1

This activity throws some light on how much it might cost to buy your first home. Without a rough idea of what is involved, your students will not know how much they need to save to reach this goal.

In pairs or small groups, ask students to consider how much they will need to provide in the way of a deposit and other costs associated with buying a new home.

- Initially, they could try to complete this activity without researching the costs, allowing you to gauge how much they already know.
- Students can use the table provided on the worksheet to record their answers.
- Encourage your students to check the average cost of a first-time buyer's home in your area for this exercise using this interactive tool from [The Land Registry](#).
Alternatively, they could use the UK average of approximately £250,000.
- Next, ask them to do some research around the costs of buying a property.

Share their findings as a whole class discussion.

Students might be aware of some of the following costs:



Time:
30 minutes



Materials:
Student Worksheet – Saving to buy your first home. Pen. Internet access.

According to HM Land Registry, the average price of a first-time buyer's house in the UK was £252,775 as of January 2023. For illustrative purposes, we have used £250,000 for the example below.



House Deposit:

You'll need a minimum of between 5% and 10% of the purchase price of the property you are planning to buy. On a property with a purchase price of £250,000, this would be between £12,500 (5%) and £25,000 (10%). The bigger your deposit, the better the chances of your application for a mortgage being accepted, and often, the better the deal you will get on the interest rate.



Mortgage Costs:

A mortgage is a term given to a loan used to buy a property. There is a wide range of mortgages to choose from and, some might come with a fee for setting up the loan. You can opt for a deal without a fee, but you might find that they come with a higher interest rate. If you decide to go with a deal that does charge a fee, you might be able to add it to your loan. Just remember that it will cost you more to do this as interest will be charged on this amount too. These fees can range from approximately £100 to £1,500.



Valuation Fee:

When you apply for a mortgage, the lender will ask to carry out a valuation to check it is worth what you are buying it for. You must pay for this and, it can cost anywhere between £200 and £800, depending on the purchase price of the property you are buying. In Scotland, the seller must provide a Home Report before putting their property on the market unless it is a newly built home.



Home Survey Costs:

You might want to have a more detailed look at the condition of your new home to see if there are any serious problems, for example, the structure or roof. This is optional and could cost around £500 to £1500.



Conveyancing Costs:

You need to use a solicitor to do the legal work for you. If you were buying a property with a purchase price of £250,000, this might cost in the region of £1,000, depending on the work involved.



Tax on buying a property:

This tax only applies if the house you buy is over a specific price; different rules may apply if you are a first-time buyer. Your solicitor is responsible for collecting this money from you and paying it to HMRC on your behalf. This property tax differs across the UK.

England & Northern Ireland	Scotland	Wales
Stamp Duty Land Tax (SDLT)	Land & Buildings Transaction Tax (LBTT)	Land Transaction Tax (LTT)
Eligible first-time buyers do not pay Stamp Duty on properties costing up to £425,000	As a first-time buyer, you will need to pay LBTT on properties costing up to £145,000	You will need to pay LTT if the property costs more than £225,000

[Click here](#) for more information and a calculator tool



Moving Costs:

You need to factor in the cost of moving your stuff in. First-time buyers don't often have much to move, so hiring a van or getting friends and family to help you move might help you cut the costs down. All the same, it is good to budget for about £200 to be on the safe side.



Key Learning Point:

By knowing how much you might need for a deposit to buy a house in the future, you are better prepared to turn your vision into reality.

Activity 2



Time:
30 minutes



Materials:
Student Worksheet – Saving to buy your first home. Answer Cards

This activity looks at the first steps towards saving for a house deposit and one of the Government schemes, designed to give first-time buyers a helping hand. Working individually or in pairs, ask your students to consider the following case studies, and using the answer cards, choose an option that might best suit the needs of the characters. They can use more than one option card per scenario and cards may be used more than once.

Case Study 1

Nikhila is 20 and looking forward to buying a house. She doesn't think that it is going to be for quite a while as she still has one year left of a degree in Graphic Design. Her goal is to save £10,000 by the time she is 30 years old, but she won't be able to do this until she graduates and gets a full-time job.

Answer cards:

Option 3: Open a Lifetime ISA with £1. A Lifetime ISA needs to be open for 12 months before it can be used towards a deposit for buying your first house. By opening it now, Nikhila will have the option to add to it at any time in the future when she has enough income to do so.

Option 4: Open a basic savings account that will allow you to pay in and get at funds if needed in an emergency. Saving to build an emergency fund is always a good start. It is important to have money to be able to access without a penalty to pay for unexpected events. Nikhila would need to have this in place before or alongside a Lifetime ISA.



Case Study 2

Amos is 18 and has a Child Trust Fund which has just matured. His parents helped him by putting money into his Child Trust Fund over the years and it is now worth just over £7,000. His parents would like him to use the money to put towards buying a house and some of it could go towards buying a car. He will need a car to get to work as he starts a one-year full-time apprenticeship in Business Administration soon.

Case Study 3

Harry and Andelo are in their mid-twenties and are planning to buy a house in the next 5 years. They both work and have been renting together for a year now. They don't have a lot of money left over after paying bills, but they are going to cut back on their socialising to start a 'buy our own house' fund.

Answer cards:

Option 1: Invest the maximum yearly limit of £4,000 in a Lifetime ISA to use towards buying a first home. Amos has the opportunity to gain the maximum 25% annual Government bonus of £1000 by investing up to £4000 of the £7,000 from his matured Child Trust Fund. However, he needs to be careful when deciding how much to save or invest in a Lifetime ISA. If he decides to withdraw cash from his Lifetime ISA in the future, for any other reason than to buy his first home or, towards his retirement, he will have a penalty to pay and he may get back less of what he paid in originally.

Option 4: Open a basic savings account that will allow you to pay in and get at funds if needed in an emergency. This might be a good place to keep the money that Amos plans to use for buying a car soon. It's also important to have money to be able to access without a penalty to pay for unexpected events, such as car repairs.

Answer cards:

Option 4: Open a basic savings account that will allow you to pay in and get at funds if needed in an emergency. Saving to build an emergency fund is always a good start. It is important to have money to be able to access without a penalty to pay for unexpected events, such as car repairs.

Option 2: Open a Lifetime ISA with £1. Set up a monthly standing order for an affordable amount to go in each month. Although the maximum you can save or invest in a Lifetime ISA is £4,000, putting a monthly amount away, no matter how small, is a great start. Lifetime ISA providers will have varying minimum amounts that you can pay in, so it is important to check this out first. Both Harry and Andelo can each have their Lifetime ISA to put towards the same property, provided they both meet the eligibility criteria.



Key Learning Point:

When it comes to choosing financial products, our needs will vary depending on our circumstances. There may be more than one solution and it might be best to seek advice.

Practical Ideas for use at home or in the classroom:

Many young people will rent before they buy. Start a conversation regarding their choices, by using the following Guide:

A PRACTICAL GUIDE TO HOUSING THROUGH FINANCIAL EDUCATION

This resource, developed in partnership with the Tenancy Deposit Scheme Charitable Foundation (TDS), is for teachers and other financial education providers. It will help you help young people aged 14-19 understand:

- the financial implications of renting or buying a home, and
- the different choices available.

PLENARY:

Ask students to write on a post-it note, the age at which they would like to buy their first home, or choose any other big event in their future. This could be shared on a timeline created in the classroom.

They can either estimate or use a spreadsheet to complete the following:

- How much will you need to save each year to achieve this goal?
- Amend the amount needed, for every year you wait to start saving.

You may find these additional lesson plans and resources useful to support related conversations about borrowing.

Please note: Some of these Lesson Plans sit behind a paywall. However, many schools are eligible for free access.

**What is credit?****Your Money Matters Textbook**

Page 54

Young Enterprise Lessons

An Introduction to Borrowing

**Mortgages and borrowing extension activities****Your Money Matters Textbook**

Page 73–75

Young Enterprise Lessons

Expectations vs Reality

**Managing and repaying credit****Your Money Matters Textbook**

Page 56–57

Young Enterprise Lessons

Debt

**APR****Your Money Matters Textbook**

Page 59

Young Enterprise Lessons

Saving and borrowing

**Manageable and unmanageable debt****Your Money Matters Textbook**

Page 70

My Money Week

Identify how ways to 'buy now, pay later' are a form of borrowing, Ages 14–16, MMW 2021

Young Enterprise Lessons

Seeking Finance Advice & Guidance

**Credit History****Your Money Matters Textbook**

Page 60–61

Young Enterprise Lessons

Buying a car