Summary

MAKE SURE YOU'RE IN THE KNOW

On 18 September 2014, people in Scotland will decide whether to stay in the UK, or leave and become a new, separate state.

The outcome could affect all parts of your life, from the currency you use, to the job you do and the household bills you budget for.

As part of the UK, our savings are protected by UK-wide institutions and the costs of the essentials you spend money on – like energy and mortgage bills – are kept lower and more stable than they would otherwise be.

At the same time, public spending in Scotland is around 10% higher per person than the UK average, and the Scottish Parliament decides on how around 60% of that money is spent.

Together, we have a more stable economy, helping to keep our interest rates low, and protect the price of the goods and services we need.

THE ECONOMIC ARGUMENTS AREN'T ALWAYS EASY TO FOLLOW, BUT THEY'RE VITAL TO UNDERSTANDING THE IMPACT OF INDEPENDENCE, AND THE EFFECTS ON OUR PERSONAL FINANCES. HERE'S WHY:

The money in your pocket matters

The pound is one of the world's strongest and most stable currencies. By staying united, Scotland will keep the pound and all the financial security it brings.

Competition matters

The UK's larger market creates more competition between companies which helps to keep prices low. As a result, we can choose from a broader range of products at more competitive prices.

Scale matters

With a larger economy of over 60 million people and nearly 5 million businesses, we share resources and risks across the UK. At various times in the history of the UK, different nations will have 'paid in' or 'drawn out'. But over time, everyone is stronger for having the protection and buying power that being part of the UK provides.

Spending matters

Scotland also shares financial challenges like declining oil revenues and its ageing population with the rest of the UK, making our public finances stronger than they would otherwise be. This helps to keeps public spending more secure and stable, and means that both governments are able to deliver the services you rely on.

Your choices matter

Scotland already has its own Parliament and makes decisions about hospitals, schools, policing and other important issues that affect your family. From next year, the Scottish Parliament will be getting even more powers to set its own tax rates and to decide to borrow money.

Our comprehensive overview gives you the facts you need about what being part of the UK means for your finances and the impact independence could have on you and your family.

Factsheet

KNOW THE FACTS

If you remember **five things** about how the UK helps to safeguard your personal finances, make it these:

We keep the pound, one of the world's strongest and most stable currencies, giving us more certainty on the value of our savings, power to purchase the everyday things we need, as well as underpinning our jobs, our mortgages and savings.

We have a larger, more stable economy, which means the UK can borrow money more cheaply. This helps keep your mortgage and loan interest rates lower. The National Institute of Economic and Social Research concluded that an independent Scotland would be likely to face higher interest rates on its borrowing - up to 1.65% higher than the rest of the UK. Because the UK's interest rates are lower, borrowing costs passed on to your mortgage are also lower.

We are stronger together. The United Kingdom economy is the 6th largest in the world, and is set to recover faster than any other G7 nation. Our collective size, strength and diversity allow us to grow and succeed together, and help us to protect jobs in difficult times. For example, in the financial crisis in 2008, the UK Government was able to provide Scottish banks with support worth more than twice Scotland's national income.

We share vital public services. Scotland benefits from over 200 United Kingdom institutions and services, including the BBC, Her Majesty's Passport Office, the National Lottery, the DVLA and the Post Office. It costs us all the same amount of money to use the vast majority of these services, wherever we live.

We have safe savings and pensions. With Scotland in the UK, our savings are protected by a guarantee covering deposits of up to £85,000 in any UK bank or building society. We also have greater choice and security when it comes to retirement. The state pension is paid at the same level across the UK, and the costs are shared by the UK's 31 million taxpayers.

Infographic

KNOW THE NUMBERS

Being part of the UK benefits us all, and a separate Scotland could mean changes to our personal finances. There's never been a more important time to understand this:

Your public services

As part of the United Kingdom, Scotland benefits from public spending that is around **10% higher** than the UK average. This helps fund vital public services like health, education and transport

The UK Government estimates that the 'UK Dividend', or the value of the UK in terms of lower tax and higher public spending, is worth **£1,400 per year to each person** living in Scotland

UK Dividend =
£1,400 per person

What does it mean for…

Public spending: £1,400 per person is equivalent to around **two thirds** of the total National Health Service budget in Scotland, or almost as much as Scotland's entire education budget

UK Dividend =
two thirds
of the total NHS budget in Scotland

My public services: £1,400 of public spending could pay for a **year of free school meals for three children**, or 10 weeks of someone's state pension

Your household budget

£2,000

How much tax-free childcare support per child that the UK Government is making available to working parents from autumn 2015

£1,700

How much mortgage interest costs could rise by in an independent Scotland, on the first year of repayments alone, for a **75% loan-to-value mortgage on the average Scottish house**

bill

£189 lower per year

Up to £189

Staying in the UK would keep future energy bills for Scottish households up to £189 a year lower

£11

How much cheaper it is to fill up the average car, following the UK Government's freeze on fuel duty

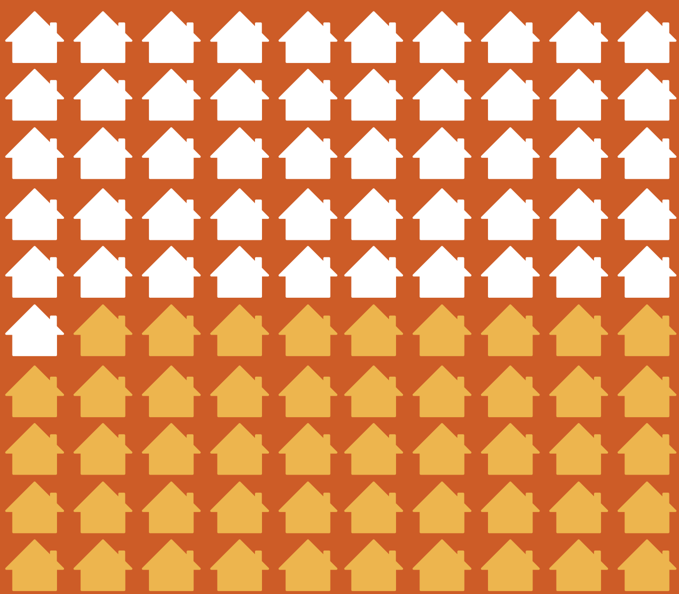
Your savings and investments

£10,500

by 2015/16, you'll be able to earn this amount before paying income tax, and since 2010 over 260,000 Scottish workers have been lifted out of income tax altogether

£15k from July 2014, you can save this amount tax-free in a UK ISA

51%



the percentage of Scottish customers who buy their mortgages from firms in the rest of the UK

70%

the percentage of Scottish consumers who buy their private pensions from firms in the rest of the UK

Factsheet

KNOW THE ANSWERS...

There are lots of questions to consider before you make your decision.

Wouldn't Scotland be better off if it separated from the UK?

As part of the UK, the Scottish Government receives predictable levels of funding, and is able to pursue its own policies on key public services such as health, education, housing, policing and transport.

The Institute for Fiscal Studies, the Centre for Public Policy for Regions, Citigroup and many other independent experts agree that an independent Scotland would start off in a more challenging financial position than if it remains part of the UK. An independent Scotland is likely to face a higher level of borrowing, because it will have a bigger shortfall between what the Government gets in tax and what it spends on public services.

As a separate country, Scotland would be running a bigger deficit than the UK – from day one. Indeed, independent forecasters show that, in 2016, Scotland would be borrowing over 5% of national income. That is double the deficit that the UK is expected to have in the same year.

Why couldn't Scotland keep sharing the pound with the rest of the UK?

The current Scottish Government has proposed a formal currency union between the continuing UK and an independent Scotland.

But sharing a currency doesn't make sense if separate governments are pulling in separate directions. That is why the UK did not join the euro, and why all three of the largest political parties in the UK have ruled out sharing the UK pound or the Bank of England with an independent Scotland. The experience of the euro area shows that for shared currencies to work there must be close political cooperation, and independence would be the opposite.

Although Scotland could use the pound without a formal agreement with the rest of the UK, it would have no say over interest rates and no central bank to bail out financial institutions in times of crisis, or to back Scotland's mortgages, savings and pensions. Staying in the UK is the only way to keep the pound we have now.

Would I pay more tax in an independent Scotland?

The UK Government estimates that the 'UK Dividend' - the value of the UK in terms of lower tax and higher public spending - is worth £1,400 per year to each person living in Scotland. To compensate for losing the UK Dividend, an independent Scotland would need to reduce spending or increase tax compared to remaining part of the UK.

If the government of an independent Scotland chose not to cut public services, it would have to raise an additional £1,400 per person through taxes. This would be equivalent to raising the basic rate of income tax from 20% to 28%, raising VAT from 20% to 26% **and** increasing duties on alcohol, tobacco and fuel by about 40%.

What would happen to my other household bills and everyday outgoings?

The UK Government's analysis has highlighted just how closely integrated Scotland is with the rest of the UK, sharing a single market where goods, money and workers are able to move freely. Putting an international border between Scotland and the rest of the UK could make it harder for businesses to trade freely, and push up their costs. Those businesses may, in turn, pass some of those costs on to their customers.

It has been possible for the UK Government to identify the likely impacts on some specific bills. For example, on the costs of energy, Scotland's links to the UK's larger market help to keep Scottish bills lower. The whole of Great Britain shares the cost of investing in Scotland's energy network and renewables. If Scottish bill payers faced these costs alone, energy bills in Scotland would be higher.

Some independent commentators have pointed to other possible costs for consumers. A number of supermarket bosses have said that if the costs and challenges of distributing goods across Scotland aren't shared across the UK grocery bills could go up. The CBI has also suggested that if Scotland was not able to keep the UK's more favourable rates of VAT, the costs of some zero-rated products (e.g. new houses, children's clothes) may go up.