This image illustrates the use of "Bleed"

This image is one side of a two sided card but the principles are the same for all artwork templates.

The Green line shows where the artwork will be cut. Text, logos, etc are kept well inside this line as the cut can drift during processing.

The red line shows where the background art should extend to. 3mm on all sides. (in this image plain blue background represents the artwork).

The background art between the red and green lines will be cut off so nothing important can occupy this area. This is the "bleed" area.

The use of bleed is important because, if we tried to cut along the edge of your artwork (beside the white of the paper) and the cutline drifts slightly, the white, unprinted paper will be visible on the final cut art.