

Beat the credit crunch!

A few pointers for healthy money management.

1. Understanding your financial position
2. Budgeting
3. Debt management
4. Cash management
5. State benefits
6. Lifestyle
7. Summary
8. Questions

1. Understanding your financial position

Before you can achieve anything financially, you must first understand your current situation.

Consider yourself the Financial Director (FD) for your home and family!

- Make a list of everything you spend over a month.
- Make a list of all income that you receive.
- Consider the cost of annual expenses such as insurances, holidays and Christmas.

You will start to see interesting patterns emerging about how you live and spend money.

2. Budgeting

Categorize the items that you spend money on, for example:

- Essential
- Useful
- Luxury

You may not be able to control your income, but you can possibly control what you spend, and, how you spend.

Example: Most supermarkets now sell 'own brand' items. Sometimes it is worth paying a little more for quality, but often it isn't necessary. It is very easy to be drawn in by glossy marketing. Also, perfectly good items with a short 'shelf life' can be great when planning meals through the week.

Example: There are many excellent bargains to be had in charity shops.

Example: If you can access the internet there are sites that help to recycle goods.

E.g. www.freecycle.org you can pick up things for free!

Example: Look at insurances and telephone contracts. Can you improve the deal?

3. Debt management

- Debt free is the target. If you have debts to pay down each month, consider how much better off you would be without the monthly payments!
- Link your debt repayment schedule to your budget
- Try to save for items rather than accepting credit, even interest free credit, as this creates a burden on the monthly budget.
- Prioritise debt repayment by most expensive first i.e.:
 - Credit cards
 - Car Loan
 - Mortgage

4. Cash management

- The best investment is paying down debt. It is a guaranteed return!
- Be cautious when dealing with banks, building societies or financial advisers. Often companies are incentivised to sell you products for commission, which may ultimately be inappropriate and/or expensive.
- Start with a deposit account with a good interest rate. Keep it simple!

5. State benefits

- Make sure you are receiving all the benefits you are entitled to.
- If you inherit money in the future, your relative/friend may wish to consider leaving money into trust for you as this will potentially protect any means tested benefits. (Legal advice probably necessary here).
- Be aware of the capital allowance above which means tested benefits will be affected.

The Citizens Advice Bureau www.citizensadvice.org.uk can provide guidance in respect of state benefits and also provide debt advice. This advice is free and, unlike other organisations, they won't try to sell you something! Also, look at the government website www.direct.gov.uk for some great guidance regarding means tested benefits.

6. Lifestyle

What can we do to save money by the way we live?

Save money and save the environment!

- Do not leave electrical devices on standby
- Turn off lights at home when not necessary
- Run the washing machine at 30 degrees

Also

- Think about your budget when shopping. Remember; is the purchase essential, useful or luxury?
- Try to save for luxury items instead of taking credit.

7. In summary

We may not be able to control our income, but we can control our expenditure.
Remember, **Family Financial Director!**

If you can get your money really working for you and shop wisely, the scope for spare cash increases. Seeing some savings grow is a great feeling and the savings can of course be earmarked for something special like a holiday!

It is crucial to start with the basics. First get a good understanding of your income and expenditure, and set a budget.

*Please be aware that all of the above information is purely that and not advice.
Should you wish to seek advice please consider approaching professional advisers
as appropriate i.e .a financial adviser, lawyer or accountant.*

8. Questions

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