

Money Management

Making your money go further



My Money Handbook

A Financially Inclusive
Tower Hamlets
Initiative



Step by step,
it's possible

Contents

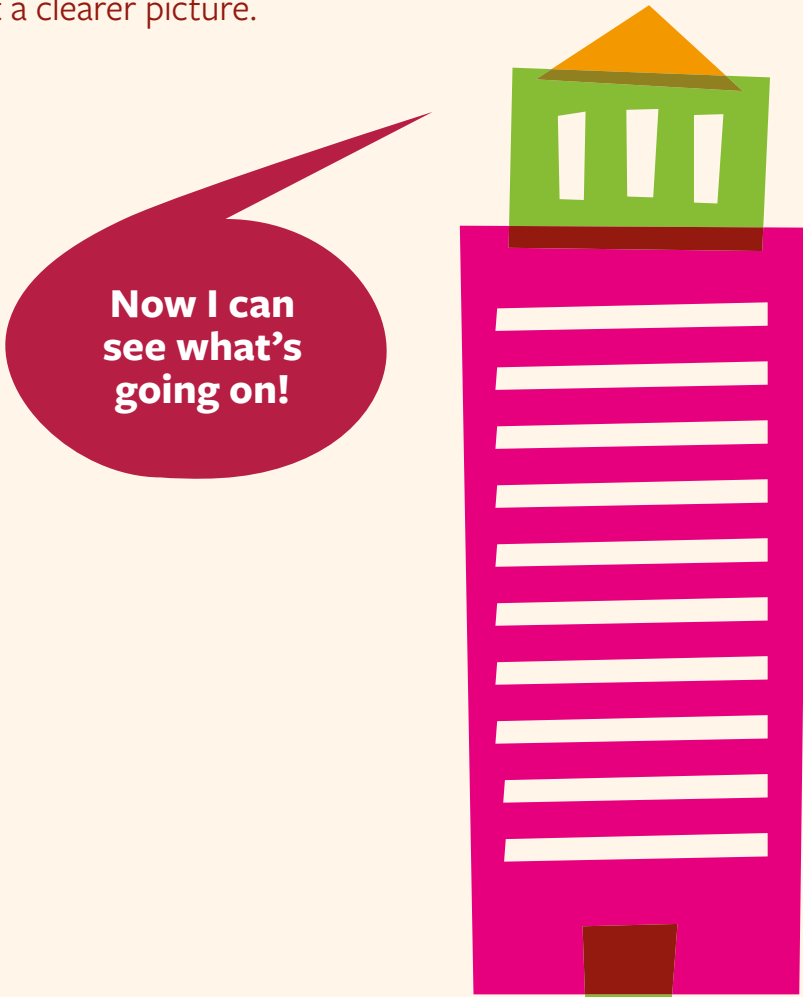
Budgeting.....	3
Credit.....	7
Debt	10
Cutting your costs.....	13
Savings.....	15
Financial products.....	19
Getting Help.....	20

Getting control - BUDGETING

Making a budget is like going to the top of a tall building.

When you are on the ground it's sometimes difficult to see what's going on around you.

When you are at the top you can see everything at once and get a clearer picture.



Introduction to budgeting

A budget is the most useful and important tool to use when thinking of ways to manage your money and preparing for changes like moving house or a new job.

Think you can't budget? Think again!

You're probably already doing some budgeting, but you just don't know it! Every time you use a shopping list, for example, and decide what you need, and how much you can afford, you are creating a mini budget. You use the same skills when you create a household budget.

What is a budget?

A budget is a financial plan that helps you to know how much money you have coming in and how much going out by setting out your **Income** and **Spending**.

Some people are good at doing this in their heads; other people find it easier if they write it out on a budget sheet as follows:

- **STEP 1** – write down your income (any money you receive)
- **STEP 2** – add up your outgoings (any money you spend)
- **STEP 3** – compare your income and your outgoings

5 top tips for making a budget

1

Who is it for? Is the budget just for you or for your whole household? If you are in a couple, you may need to do the budget together. If you are doing the budget just for you, make sure you only include **your** spending.

2

How often? When you fill in your budget sheet, make sure all your income and spending is shown as either weekly or monthly amounts. If you're not sure how to do this, check the guide on the next page.

3

Expecting a change? Fill in your budget sheet **as it is now**. If your circumstances change you can do a new one, but in the meantime try to get a clear picture of your current situation.

4

Nothing's too small. Make sure you take into account smaller purchases like coffees, milk and magazines. They might not seem like much but a little thing every day can add up to a considerable amount each month!

5

Be Honest! It's tempting to try to make things seem better by underestimating what you spend and overestimating your income but this will only lead to more problems. Try to be accurate and, if you're not sure, guess more rather than less.

Calculating Amounts

Every 4 weeks?

Fortnightly?

Monthly?

Once a year?

Once in a while?

It may be that you have different income, coming in at different times (for instance, some benefits are paid weekly, others are paid 4-weekly)

To be able to make an accurate budget, you need to be able to convert these figures into one, easily comparable, monthly one.

To calculate monthly amounts from:

Weekly - multiply (\times) the amount by 52 and divide (\div) by 12

Fortnightly - multiply (\times) the amount by 26 and divide (\div) by 12

Quarterly - divide (\div) by 3

Half-yearly - divide (\div) by 6

Yearly - divide (\div) by 12

To calculate weekly amounts from:

Fortnightly - divide (\div) by 2

Monthly - multiply (\times) the amount by 12 and divide (\div) by 52

Quarterly - multiply (\times) the amount by 4 and divide (\div) by 52

Half yearly - multiply (\times) the amount by 2 and divide (\div) by 52

Yearly - divide (\div) by 52

Credit words explained

Debt - Money that you owe

Borrow - This is when you receive something (a loan) with the understanding that you will give it back.

Interest - The reward you get for keeping your money in an account OR the cost you pay for borrowing.

APR (Annual Percentage Rate) - The interest you pay on a loan

AER (Annual Equivalent Rate) - The interest you earn on savings

Repay - To give money back

Debit - Money taken out of an account

Credit - Money put into an account OR money borrowed

Credit Report - A history of your financial activities which creates a 'credit score'. The report is created by a 'credit reference agency' and may be used by lenders or service providers to decide whether to lend to you.

Secured loan - Money borrowed using your property as guarantee – if the loan isn't repaid the lender can force a sale on the property to recover the loan.

Payday loan - A small, short term loan lent at a high rate of interest on the agreement that it will be repaid when the borrower receives their next wages.

Hire purchase agreement - A loan that allows you to take goods home and pay for them in instalments. You don't own the goods until you have paid in full.

Bailiff - A bailiff is a person who has legal power to collect certain debts by taking and selling your belongings.

Debt collection agency - A company that collects debts on behalf of another company. They do not have any more legal powers than the original creditor and are not bailiffs.

Loan shark - An unlicensed money lender, often using threats and violence to collect debts. **Report to the Illegal Money Lending team on 0300 555 2222 or by texting LOAN SHARK to 60003**

County Court Judgement - An order made by the judge in a county court to repay a debt.

Magistrates Court Fine - Fine from the magistrate's court for driving offences, not having a TV License or other criminal offences.

Credit Card - A card issued by a bank that allows you to buy things and pay for them later.

Debit Card - A card that uses money in your current account.

Store Card - A card that lets you buy goods at a store on credit.

Three rules for clued up credit:

There may be times when you need to borrow money, for an emergency, or to make a large purchase.



Keep APR (interest) as low as possible

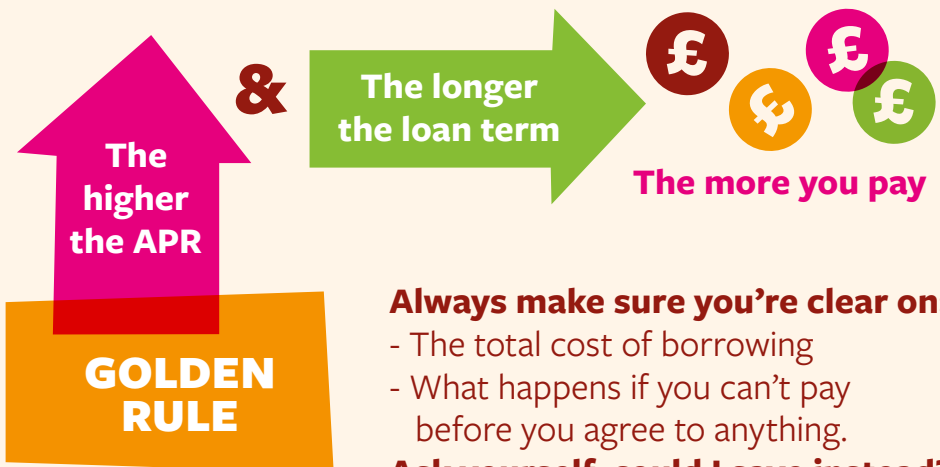


Ensure repayments are manageable for you



If repayments are affordable, borrow over a shorter time period to keep costs down.

When you borrow money, you will need to think about two key factors – the **APR** set by the lender, and the **amount of time** you are borrowing for.



Always make sure you're clear on:

- The total cost of borrowing
- What happens if you can't pay before you agree to anything.

Ask yourself, could I save instead?

Understanding debts - Priorities

Why prioritise debts?

If you can't afford to make the requested payments for all of your debts, you need to decide how to divide the money that you do have between them. This will usually involve deciding to prioritise payments to certain debts over others.

How do we prioritise debts?

It's all about consequences! Different types of debts have different consequences if you don't pay them. We prioritise debts by deciding which have the most serious consequences.

Priority debts

Some debts are universally accepted as priority debts –it's generally accepted that not paying these debts has more serious consequences for non-payment than other debts. This is because not paying these debts can threaten the following:



Home – Rent, mortgage, secured loans



Light – Electricity



Heat – Gas and electricity



Liberty – council tax, magistrates court fines, TV License



Essential goods – e.g. hire purchase vehicle used for employment as taxi driver

Understanding debts - Priorities

Type of Bill	Priority/ non Priority	Consequences of not paying
Mortgage or Rent	Priority	Repossession/ Eviction, Homelessness
Water rates	Non-priority	County Court judgment (CCJ) or fuel direct payments (money taken from benefits)
Council Tax	Priority	Prison, attach to earnings/ benefits
Electricity/ Gas bill	Priority	Threat of disconnection of essential services, a prepayment meter may be fitted
TV Licence	Priority	Fine, bailiffs, prison
Magistrates Court	Priority	Prison, attach to earnings/ benefits
Credit card	Non-priority	CCJ, debt collector, bad credit rating
Bank loan	Non-Priority	Bailiffs, CCJ, bad credit rating
Loan shark	Non-Priority	Not legally enforceable
Doorstep lender	Non-Priority	Bailiffs, CCJ, bad credit rating,
Child support	Priority	Money taken from wage, money taken from benefits, visit from bailiffs, or imprisonment


Debt

Keeping in touch

If you do find yourself unable to pay a bill, it can be tempting to avoid any contact with the company you owe money to (your creditor). However, it is really important to keep in contact and be clear on why you can't pay right now, and when you will be able to start making payments toward what you owe. They may try to encourage you to pay the full amount, but if you explain what you can afford to pay, they should try to come to an affordable payment plan with you.

Seeking Advice

If you're not able to reach an affordable agreement with your creditor(s) or if you have lots of debt, it is recommended that you get help from a professional debt advisor. They can help you to negotiate your repayments and think through your options to manage your debts and get back in control. There are details of both local debt advice agencies and national services at the back of this booklet.



Be aware! There are lots of brilliant free debt advice services out there. Beware of any that charge fees as they will take a cut of every payment you make towards your debts meaning they will take longer to pay off!

Cutting your costs - Needs vs Wants

Sometimes simple things can make a big difference. It can be really hard to cut your costs, especially if you're not spending much already.

One method that works for lots of people is Needs vs Wants.

All you do, before you buy something, is ask yourself...

**Do I need it or do I want it?
If it's a want, don't buy it!**

Need

A need is something
you have to have

Want

A want is
something you
would like to
have

Cutting your costs - Shopping around

One of the best ways to cut your costs is by shopping around for the best deal. That could be for your regular household expenses such as your energy bills or your mobile phone contract, or simply by switching to cheaper brands in your weekly shop.

Ask yourself **can I get it for less?**

Online comparison sites

Online comparison sites are one of the easiest ways to find out where you can get the best deal. Websites like **Uswitch** allow you to compare prices on services such as energy, internet, TV and mobile phone packages, as well as home and travel insurance. Then there's **Money Supermarket** which lets you find the cheapest supermarket for your basket of items or work out where you can buy certain items cheaper.

Even if you're fixed on what you're going to buy, it's always worth looking on a few websites to find the best price.

Shopping switch up

We all get used to buying the same things in our weekly shop, but just making small changes such as trying own brands or buying in bulk can make a big difference to our budget in the long term. You'll be surprised how many own brands taste just as good as the branded items so it's always worth experimenting. You can even try a blind taste test with your family to test it out for yourself!

Savings

People save money for lots of different reasons.
It might be:

Irregular expenditure

e.g. MOT, Christmas, higher utility bills in winter

Unexpected expenditure

e.g. broken washing machine, car repairs, flat floods

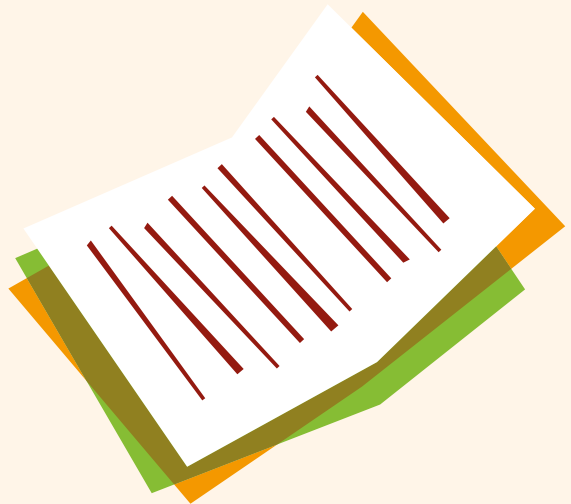
Treats and life events

e.g. holiday, new piece of furniture, new pair of shoes, wedding

Sometimes we save for things a long way into the future
e.g. buying a property and other times we save for things
which are much sooner e.g. a family trip.

Knowing how much we need to save overall and how long we
have to save for it can help us to work out how much we need
to put aside each week or month.

Use the savings planner on the next page to plan for some
things you want to be able to afford in the future.



Steps to saving

When you're saving for something it can seem impossible that you'll get there. Break it down into these simple steps to make it easier:

Step 1: Decide what you want to save for

It could be something short term like a holiday or kids' school uniforms, or something longer term like a wedding, a house or your retirement

Step 2: Do your research!

Find out how much it costs and where you can get the best deal.

Step 3: Think about when you want to be able to save up by.

Be realistic especially if you're going to need to save a lot.

Step 4: Now do the Maths...

Total cost ÷ number of weeks / months until you want it = weekly / monthly saving needed

Too much? Head back to the drawing board...

Could you spend less or save for a little longer? Or increase your income/reduce your spending?

Seem manageable?

Great! Now make a plan!

Go back to your budget and make sure you'll be able to put this amount aside.

Financial Products and services

1. Home Contents Insurance

Your housing provider does not insure your furniture, belongings and other personal items within your home against theft, fire, vandalism, burst pipes and other household risks.

By paying a small amount each month for Home Contents Insurance you can protect most of the items in your home against damage.

Most social landlords have low cost insurance schemes for their tenants with payments as low as £7.00 per month.

2. Savings

It's true – every little helps! Even a small amount of savings can make all the difference in an emergency. Make sure your savings are safe by putting them into a savings account with a high street bank, building society or credit union.

3. Credit Union Account

Credit Unions are community banks. They can often lend money to people who other places won't lend to. This is because they lend based on their knowledge of their customers.

If you have a savings account with a credit union, they are much more likely to agree to lend you money. So, why not set up an account now, so that if the worst happens you have as many options as possible.

The local Credit Union in Tower Hamlets is London Community Credit Union. Contact them on 020 7729 9218.

Bank accounts

Current accounts

Your main account where your income is paid in and your day-to-day spending happens.

Basic Bank account

- Don't need strong credit history
- Direct Debits & Standing Orders
- May not get a debit card
- No overdraft
- No fees
- Identity checks required

Credit Union account

- Easier to open with less ID
- Monthly fee
- Direct Debits, standing orders, debit card
- More supportive

Post Office card account

- No overdraft, fees or charges
- No Direct Debit or standing order
- Can withdraw at Post Office or ATM
- No credit checks

Packaged account

- Monthly fee
- Includes added extras e.g. insurance, services

Jam jar account

- Put money in different 'pots'

Standard current account: Has full capabilities for Direct Debit, standing orders, overdrafts and there may be fees. Identity checks required.

Savings accounts

An account where you put money aside for the future.

Easy access savings

- Put money away and take it out at any time
- May receive lower rates of interest

Individual Savings Account (ISA)

- Tax-free savings
- Government scheme
- May get higher rates of interest
- Different types available

Fixed rate bond

- Lock money away for a set period of time
- May get higher rates of interest
- Penalties if you withdraw early

Help to Save account

- Government scheme due to be available from October 2018
- Available to people in receipt of certain in-work benefits
- Save up to £50 a month, get a 50% bonus after 4 years (up to £1200)
- Withdrawals possible in case of emergency

Help to Buy ISA

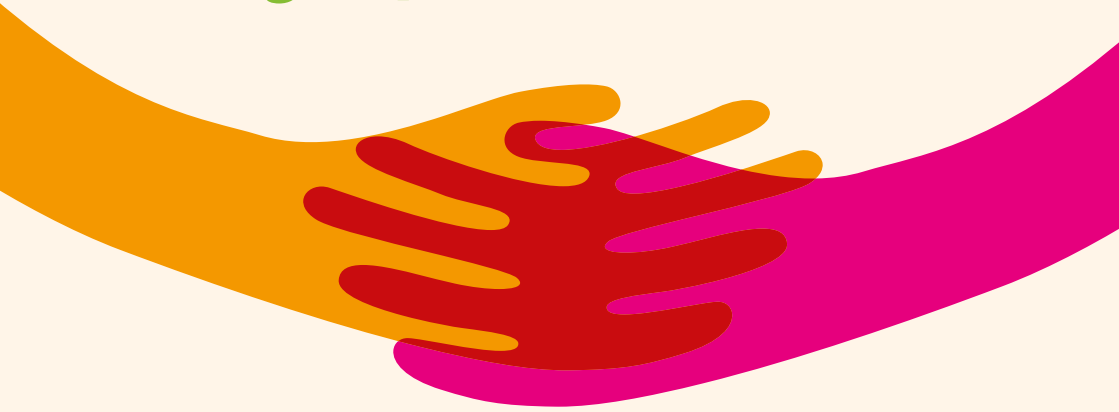
- Government scheme to help people get on the housing ladder
- Put up to an initial £1,000 and then £200 per month into the account and receive 25% bonus if used towards buying your first home

Regular saver

- Save up to a maximum amount regularly
- Usually linked to a current account

Saving in current accounts: Many current accounts have also started to give good interest rates on savings in recent years.

Getting help



No one can control everything.

Sometimes the most important thing about being in control is knowing when you need help.

Tower Hamlets has a huge number of brilliant services that can help – have a look at the directory for more info!

Local Advice:

Tower Hamlets Community Advice network

THCAN is a network of agencies providing advice to residents of Tower Hamlets.

To find your local advice centre visit: www.thcan.org.uk

Useful Phone Apps:

My Supermarket: an online shopping and comparison website for groceries, household items and health and beauty products.

Goodbudget/Wally/Money Dashboard: budgeting apps to help you keep track of your spending on the go!

Local advice agencies:

Toynbee Hall

28 Commercial Street, London, E1 6LS

Tel: 020 7392 2953

Island Advice Centre

Roserton Street, London, E14 3PG

Tel: 020 7987 9379

Limehouse Project

789 - 791 Commercial Road, Unit 2 - St Anne Street

London, E14 7HG

Tel: 020 7538 0075

Bromley by Bow Centre

St Leonards Street, London, E3 3BT

Tel: 020 8709 9757

National debt organisations:

National Debt Line: 0808 808 4000

Step Change Debt Charity: 0800 138 1111

Debt Advice Foundation: 0800 644 6089

Online resources:

To help you work out your regular budget and recommend resources that might be useful for you.

Money Advice Service

www.moneyadviceservice.org.uk/en/tools/budget-planner

The Money Charity

www.budgetbuilder.themoneycharity.org.uk

Money Saving Expert

www.moneysavingexpert.com



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All content believed to be correct as of July 2018



**Step by step,
it's possible**



**NATIONAL
LOTTERY FUNDED**