

How to survive on a reduced income

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Low pay is a fact of life for many people living in Britain today. According to the most recent report by the Resolution Foundation, one in five employees is low paid - a proportion that hasn't changed much during the past 20 years. Extreme low pay affects two per cent of employees, the report also suggests, while one in 20 employees - the equivalent of 1.4 million workers - earns the minimum wage.

Those most likely to be low paid include women, the young, part-time and temporary employees, those in lower-skilled occupations, and those employed in the hospitality, retail and care sectors. People who work part time are more likely than those in full-time work to be paid less than the minimum wage, claims a 2016 report on low pay by the Office for National Statistics. Jobs held by women are also more likely to be paid less than the minimum wage than jobs held by men.

If you earn a low wage, you'll know only too well that every penny counts. That's why learning to manage your money carefully and to be aware of any other sources of income you may be entitled to could help you to get by.

Did you know? The hospitality industry - which includes licensed clubs, pubs and bars - has the

third highest proportion of low-paid jobs after the hairdressing and childcare industries (*Source: Office for National Statistics*)

Dealing with debts

Recognising you have a problem with debt is the first step towards dealing with them effectively. Ask yourself the following questions:

- Do you often exceed your credit or overdraft limit?
- Do you take out more loans to pay off your debts (and pay back the minimum amount each month)?
- Do you often use your credit card to withdraw cash?
- Do you have little to no idea how much you owe?

If you've answered 'yes' to any of these questions, chances are you need to tackle your debt problem - sooner rather than later.

Priority debts

It's important to tackle the most important debts first, such as rent or mortgage, gas, electricity, water and council tax. Once you've got these under control, you can work out how to pay off other debts that don't put your home or fuel supplies at risk (such as loans and overdrafts). But to do all of this, the best method is to work out a budget plan.

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How to draw up a budget plan

A budget plan lists all your expenses and compares it with the amount of money you have coming in. This can help you to see where you could cut back and save money. Start with the following outgoings:

- Rent/mortgage
- Council tax
- Utilities (gas, electricity, water)
- Phone
- TV licence
- Travel
- Loan payments
- Hire purchase payments
- Insurance payments
- Childcare
- Child support/maintenance
- Personal pension payments
- Court fines
- Food
- Clothes
- Household products (cleaning and toiletries)
- Non-essential daily expenses (newspapers, buying lunch/coffee etc.)
- Occasional costs (such as haircuts, house maintenance, going to the dentist and so on).

Next, work out how much money you have coming in, including wages, benefits and tax credits, plus any other payments coming into your household. If you have more money going out than coming in, take a long hard look at your expenses and try to work out where you can save money (even relatively small savings can add up over time).

Try using a free online budget planner, such as that offered by the [Money Advice Service](#) or the [Debt Remedy](#) from debt charity Step Change.

The Money Advice Service website also has a handy [quick cash finder tool](#) that can help you find what you spend a year on non-essentials such as magazines, coffees, alcohol, eating out and cigarettes. You may be surprised to find out how much you're spending - for instance, if you spend £2 on buying a coffee every morning, it adds up to £730 a year.

Saving on bills

There are lots of ways to save on energy bills - plus you can shop around to find out how much you'd save by switching to a different supplier.

Heating

Most of the money spent on fuel bills goes on heating. But according to the Energy Saving Trust, turning your room thermostat down by just 1°C could save 10 per cent off your bill. Set your heating and hot water to come on and off when you need them, and only heat the areas of the home that need heating.

Also look at ways to stop heat escaping from your home: try draught proofing your windows and doors, and block any cracks in your floors and skirting boards that could be letting in the cold (this can cost money initially but could save you up to £25 a year on energy bills).

Lighting

Turn lights off when you're not using them, and it could save you around £14 a year. If you haven't done so already, switch to energy-saving bulbs when your old-fashioned bulbs need replacing.

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Appliances

The Energy Saving Trust claims you can save around £30 a year by turning off electrical appliances instead of leaving them in standby mode. Even putting just the amount of water you need in your kettle - rather than filling it - can save around £7 a year.

Hot water

Turn the thermostat on your hot water tank down to 60°C (it will still be hot enough for a bath or shower). Make sure your hot water tank has a lagging jacket, and spend less time in the shower (one minute less each day will shave £7 off your annual energy bill and £12 off annual water and sewerage bills if you have a water meter). And if you have a washing machine, washing at 30°C can save money too.

Energy saving grants are often available to people on a low income (the money helps pay to make your home more energy efficient). Find out more by visiting gov.uk.

Meanwhile, consider using one or more price comparison websites to find out the best deals for gas and electricity, as well as broadband and phone bills (landline and mobile) and car/house insurance. According to MoneySavingExpert.com, if you're on an expensive standard energy tariff you could save an average of £290 a year. The website's [Cheap Energy Club](#) could also be worth signing up to, as it helps you to find the cheapest deal and switch suppliers.

Other price comparison websites you could try include uSwitch.com, simplyswitch.com, moneysupermarket.com and confused.com.

Claiming benefits

Depending on your circumstances you may also be entitled to claim certain benefits if you're on a low income, including the following:

Income Support

If you're on a low income, you work fewer than 16 hours a week and have less than £16,000 in savings, you may qualify for Income Support (this is being gradually replaced by Universal Credit). The amount you can get depends on your age, income, how much you have in savings and your circumstances. According to the government, the quickest way to apply is to call Jobcentre Plus on 0800 055 6688.

Working Tax Credit

This also provides extra money to certain people who work and are earning a low income. Whether or not you can claim WTC depends on your age, how many hours you work, how much you earn and your personal circumstances. Find out more by reading our guide [What you need to know about Working Tax Credit](#).

Housing Benefit

This can help you to pay some or all of your rent (it too is being replaced by Universal Credit). To get Housing Benefit you must have an income and savings below a certain level. How much you can get will depend on how much rent you pay and how much you earn. If you make a claim for Income Support, you will be given a form for Housing Benefit at the same time. Alternatively, call your local authority and ask for the Housing Benefit Department to make a claim.

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Support for Mortgage Interest

If, on the other hand, you have a mortgage, you may be entitled to extra money to help pay the interest if you're receiving certain other income-related benefits. SMI - which is normally paid direct to your mortgage company - is only available if you're also receiving Income Support, Pension Credit and other benefits that only apply to those who are out of work. To find out more, call Jobcentre Plus.

Council Tax Reduction

Your council tax bill could be reduced by up to 100 per cent if you're on a low income or claiming benefits. How much you can get depends on your circumstances and where you live, as each local authority runs its own scheme. Ask your local council for more information (if you live in Northern Ireland there's a different scheme for people on a low income who need [help paying their rate bill](#)).

Help for families

If you're on a low income, you may be able to claim Child Tax Credit and receive tax-free Child Benefit payments. If your children are at school, you may also be entitled for help with certain school costs, such as school meals, school milk, school clothing and school transport. Find out more by reading our guides [What you need to know about benefits for families and children](#) and [How to get the best out of your child's education: Help with school costs](#).

Other help

There are other means of receiving financial help if you're on a low income. For example, the Social Fund can help with certain one-off or occasional expenses, including funeral payments, maternity grants, winter fuel and cold weather payments. For more information on the Social Fund, visit [gov.uk](#).

Find out if you're entitled to additional income in the form of benefits by checking the [benefits calculator](#) at [turn2us.org.uk](#)

Emergency borrowing

The Social Fund also offers interest-free Budgeting Loans, which can help you to make ends meet when money is in short supply. These loans can help with buying clothes, shoes, furniture, household equipment and hire purchase debts, and can also help you pay for travelling expenses or advance rent and moving costs if you're moving house.

To be eligible for a Social Fund Budgeting Loan, you must have been claiming Income Support (or, if applicable, Universal Credit) or Pension Credit for the past six months. The loan normally has to be paid back within 104 weeks, and the repayments are automatically deducted from your benefits.

- To claim a Budgeting Loan, download and complete form SF500 from [gov.uk](#) or [apply online](#).

Meanwhile, if you're tempted to take out a payday loan, keep in mind that these loans are usually a highly expensive way of borrowing money. More affordable loans are available from credit unions. These are co-operatives that try to assess how much you can pay back, so you can avoid getting into even more debt.

You have to join a credit union before you can apply for a loan, and in some cases you have to have built up some savings before you can borrow. The good news is most credit unions charge around one per cent interest a month on loans, and there are no hidden extras.

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- Find a credit union where you live by visiting www.findyourcreditunion.co.uk

Useful links

If you are experiencing any of the issues covered in this guide, in the first instance call our free helpline on 0808 801 0550. Our Advisors will listen without judging and will work with you as best they can to achieve a positive outcome. If you prefer you can email: helpline@ltcharity.org.uk. Visit our website: www.licensedtradecharity.org.uk It's full of useful information about the kind of issues we know people who work in the licensed trade face.

Other sources of information:

Citizens Advice

www.citizensadvice.org.uk

For lots of free practical advice on a wide range of issues, including successful budgeting and debt management.

Money Advice Service

www.moneyadviceservice.org.uk

For free and impartial money advice, including help with managing your money.

Step Change

www.stepchange.org/

This debt charity offers free debt information and advice.