

# Managing your personal finances

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**It's almost a fact of life these days that while the cost of living keeps getting higher, the average pay packet isn't keeping up the pace.** The most recent report from the Office for National Statistics at the time of writing showed weekly earnings grew at an annual rate of 2.2 per cent in the three months to September 2017. But with the inflation rate for that month set at 3 per cent, it meant the amount of money people had in their pockets had actually shrunk in real terms. A report by the TUC also suggests British workers will see their earnings decrease by 0.7 per cent in 2018 when taking inflation into account.

With many households struggling to make ends meet there's never been a better time to keep an eye on your personal finances by checking how your income compares with your expenses and by tackling your debts. Managing your money is, after all, a must-have skill these days, especially if you're on a low income.

It's also not as complicated as you may think. And if you get into the habit of spending just an hour once every few months reassessing your money situation, you'll soon be in charge of your finances – instead of your finances being in charge of you.

### Did you know?

At the end of October 2017, the amount of UK personal debt stood at £1.562 trillion, with the average total debt per household running to £57,432 (Source: *The Money Charity*)

### Plan your budget

The idea behind budgeting is a simple one: aiming not to spend more than you earn. But before you can do that, you have to know how much money you have coming in as well as how much you have going out.

If you owe money, it's also important to know which debts have to be paid off as soon as possible and which are less urgent and can be settled later. If you know you have debts but you're not exactly sure how much you owe, it's a good sign your finances could be in trouble, and you may even be in more debt than you think. Thankfully, drawing up a budget can help put you back in control.

### List all sources of income

To get your budget plan started, make a list of all the payments you have coming in. This includes your take-home wages and any benefits or tax credits you may be claiming, plus any other amounts coming in from others who live with you, such as partners, adult children, older relatives or lodgers.

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If you're on a low income and you're not claiming benefits or tax credits you may be surprised to learn you could be entitled to help with living costs, council tax and rent, as well as other things such as free prescriptions or free school meals – all of which could help give your basic income a boost.

To find out what benefits you may qualify for, gather together all your information about your income, savings, pension and any childcare payments or benefits you may already be receiving and try using the [Turn2us](#) online benefit calculator.

## Work out how much you spend

Once you've calculated the amount of money you have coming in, it's time to work out how much you have going out. This includes the money you spend each month on essentials – including rent/mortgage payments, household bills and other regular payments such as travel (including insurance, road tax, car maintenance and parking charges if you own a car), phone and internet costs, food, clothing and everyday items such as cleaning products.

Some of these costs will vary from month to month, so try to work out what you spend on average, based on what you typically spend in a year. With your rent or mortgage, list the full amount you pay each month (don't include arrears, as these will be listed in a separate section for debts). Include how much you pay a month for gas, electricity and water if you pay by monthly direct debit. If you pay quarterly, calculate your monthly average by taking the last four bills you paid and dividing the total amount by 12.

Household costs – how much you spend on food (both at home and outside of your home, including school meals), clothes, toiletries and cleaning products – can vary from month to month too. So again, try to work out how much you pay a month on average throughout the year.

Other outgoing payments may include personal pension payments (but not payments made towards a work pension), TV licence, childcare costs, insurance payments, hire-purchase payments, court fines and child support or maintenance payments. You should also include an allowance for other things you may spend money on regularly or occasionally, including newspapers, magazines, having a haircut, vet's bills, seeing your dentist, getting your eyes tested, house maintenance costs (repairs etc.) and even things like birthday and Christmas presents.

Once you have a really good idea of your income and your expenditure you can work out how much you have left to pay off any debts you may have. Now may also be a good time to take a long hard look at your outgoings, especially if you earn less than you spend, to see if any savings can be made.

For instance, you may think that daily cup of takeaway coffee is essential. But if you just treat yourself once or twice a week rather than every day you could save quite a bit of cash over time. Or perhaps you could cancel that membership for the gym you hardly ever use, or look at other things you're spending out on but not using.

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## Priority and non-priority debts

The third section of your budget plan should list your debts, if you have any. However, whatever you owe money on, some debts are more important than others, which means they should be paid first. So make two lists – one for priority debts and one for non-priority debts.

### Priority debts

These are the debts you should settle first since they could lead to you losing your home if they're left unpaid. Not settling priority debts could also see your gas or electricity being disconnected or your belongings being taken by bailiffs. And in some instances, they could lead to your going to prison.

Some of the most common priority debts include the following:

### Mortgage, rent or secured loans

If you fail to pay any of these, you could end up losing your home. If you're falling behind with any of these payments, contact your lender or landlord as soon as possible and ask what they can do to help. For instance, if your landlord is a local authority, you may be able to go on a payment plan for arrears.

### Gas and electricity

Not paying energy bills could get you disconnected (though disconnection is a last resort and you must receive notice before being cut off). If you have unpaid gas and electricity bills, it's important to contact your supplier to arrange how you'll pay your debt and your bills in the future. This is called a payment arrangement, and you could start paying weekly, fortnightly or

monthly – this may be easier for you to manage than paying one large bill every quarter.

### Council tax

If you're behind with your council tax payments, speak to your local authority's council tax department as soon as you can. They may suggest you spread your payments over 12 months instead of 10, or you may come to an agreement that you'll pay off a small amount of your arrears each month. If you fail to do anything about any council tax payments you owe, your local authority could send bailiffs to your home or you could eventually end up in prison.

### TV licence

Not having a TV licence can also see you going to prison, as it's a criminal offence to watch live TV without a valid licence. Find out about different ways you can pay for your TV licence, as well as whether you may qualify for a discount or free licence, at [tvlicensing.co.uk](http://tvlicensing.co.uk).

Other priority debts include income tax, child maintenance payments, benefits overpayments and court fines. If you fall behind with hire-purchase payments you may have your goods repossessed (but if you don't need the goods, you can return them and cancel the agreement).

### Non-priority debts

These are debts that aren't so critical as priority ones, which means you can wait until your priority debts are under control before tackling them. These debts include credit card and store card debts, overdrafts, business debts, water bill arrears, payday loans, unsecured loans and unpaid phone and internet bills.

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However just because a debt isn't a priority it doesn't mean you can ignore it altogether. Contact your creditors and find out the minimum you could pay until your priority debts are settled – this is usually considered better than not paying anything at all, even if you only pay a few pounds a month.

- Why not try a free online tool to make your budget planning easier? Visit the following websites for details: [Business Debtline](#) [StepChange Citizens Advice](#).

## Speaking to your creditors

It may seem daunting to have to talk to companies you owe money to, but don't put it off. Most will be happy to try to reach an agreement with you as to how you can pay what you owe, and it's always better to come clean and let your creditors know about your situation than avoid any contact with them. If you continue to ignore the problem, your creditors may take action sooner rather than later – so contacting them and keeping them informed may buy you more time.

Remember to let your creditors know that you're taking steps to clear your debt, including the fact that you've worked out your personal budget plan and have calculated how much you can afford to pay them. Always try to pay the maximum amount you can afford in each case, as the more you pay, the faster you'll be out of debt.

## Ways to save money

It's always a good idea to cut back on unnecessary costs once you've drawn up your

personal budget. But savings can be made on necessary costs too, including food, gas, electricity and water.

### Food savings

The cost of eating keeps going up, but there are ways to save and still eat well. UK households throw away 7 million tons of food and drink each year, and according to the Food Standards Agency, the majority could have been eaten. Indeed, wasting food costs the average household in the UK £470 a year. So try to only buy what you need by making a meals plan for the week ahead before going shopping, listing all the ingredients you need to buy.

Shopping around for bargains is also a good way to spend less on food. For instance, supermarkets often have reduced-price items on offer. And while these often have to be eaten the same day, you can freeze them as soon as you get home to make them last longer. If you have a local market nearby, it may also be worth looking for fruit, vegetables, fish and meat that are cheaper than at your local supermarket.

### Utility savings

The cost of electricity, gas and water also keeps rising. But most energy and water providers offer lots of tips on keeping your costs down – visit your provider's website or call the number on your bill for details.

It's also a good idea to check how much you're paying for your gas and electricity by checking your tariff. According to a recent survey for Bulb Energy, 28 per cent of people in the UK don't know or aren't sure if their household is on one of the most costly standard variable tariffs for gas and electricity. Figures from Ofgem in September

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2017 also suggest 57 per cent of household customers with the 10 largest energy suppliers are on these expensive tariffs – meaning around 13 million people could be saving a substantial sum each year by switching to a cheaper tariff or provider.

An easy way of finding out how much you could save by switching energy suppliers and/or tariffs is to use a price comparison website – or switch and save website, as they're often called – including the following:

[uSwitch](#)

[Money Supermarket](#)

[Simply Switch](#)

[Confused.com](#)

[MoneySavingExpert.com](#)

Switching energy suppliers is just one of many ways these price comparison websites can help you save cash. From insurance, phone and broadband packages to mortgages, loans and credit cards, there are plenty of potential savings to be made if you have the time and patience to shop around and do your homework. Try using as many price comparison websites as possible to get the best deals.

## 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](mailto:helpline@ltcharity.org.uk). Visit our website: [www.licensedtradecharity.org.uk](http://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.

### Gov.uk: benefits entitlement

[www.gov.uk/browse/benefits/entitlement](http://www.gov.uk/browse/benefits/entitlement)

A comprehensive guide from the government to benefits and how to apply for them.

### Gov.uk: options for paying off your debts

[www.gov.uk/options-for-paying-off-your-debts](http://www.gov.uk/options-for-paying-off-your-debts)

Information on a range of ways of paying off your debts, inc Debt Management Plans, Administration Orders, Individual Voluntary arrangements & Debt Relief Orders.

### Citizens Advice Bureau

[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk) For free, practical, up-to-date advice. You also can find the address and phone number of your nearest CAB in your local phone book.

### Energy Savings Trust

[www.energysavingtrust.org.uk](http://www.energysavingtrust.org.uk)

Here's where you can find lots of information on how to save energy at home and cut your energy bill costs.

### StepChange

[www.stepchange.org](http://www.stepchange.org); Freephone 0800 138 1111

(Mon - Fri 8am - 8pm, Sat 8am - 4pm)

StepChange is a registered charity to help people in financial difficulty. Advisors can help you wherever you live, no matter how much debt you owe.

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## National Debtline

[www.nationaldebtline.org](http://www.nationaldebtline.org) Freephone 0808 808 4000 (Mon - Fri 9am - 8pm, Sat 9.30am - 1pm)  
This is a national telephone helpline for people with debt problems in England, Wales and Scotland. It is free, confidential and independent.

## Business Debtline

[www.businessdebtline.org](http://www.businessdebtline.org) Freephone 0800 197 6026 (Mon to Fri 9am – 8pm) Charity giving free debt advice for the self-employed and small businesses in England and wales.

Helpline: 0808 801 0550

Email: [support@ltcharity.org.uk](mailto:support@ltcharity.org.uk)

[licensedtradecharity.org.uk](http://licensedtradecharity.org.uk)

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NOTE: This guide is not exhaustive. It has been produced by the Licensed Trade Charity to provide you with an overview of the issue in question. We are grateful to all specialist organisations who support our charity and are available to you should you be experiencing this particular issue.

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