UNDERSTANDING FAMILY FINANCIAL AFFORDABILITY

Cashfloat Educational Channel

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CHAPTER 1

INTRODUCTION TO FAMILY FINANCES

Family finances can be a difficult path to tread even though there is a lot of advice and information available on the Internet and from financial institutions and advisors. The fact is that no two families are alike so there is no one size fits all approach that can be applied to family financial affordability. Families should no longer be considered as the two adults, two children unit that was used in the past as a model for family financial planning. Some families are single parents with a child or children and this may be due to divorce or death of a partner. Many families now have to consider ageing parents as well as teenagers who may want to go to university so there are a lot of variables when we talk about family financial affordability.

It is an unfortunate fact that most ordinary families in the UK do not look towards the long term when arranging their finances. This is very understandable as most people have not received any tuition about how to handle financial matters and they generally rely on the advice of their bank when taking out mortgages and investments. Additionally, many families live from one payday to the next with little money to spare for savings. If only a 'stress test' like that applied to banks could be applied to the family finances it would highlight the need for forward planning so that the danger of living just one payday away from bankruptcy could be avoided. This is something that could be addressed by the school curriculum and it would be a far better option that teaching media studies or some of the other spurious subjects that are of little benefit in the real world.

Although some families do live within their means without relying on credit cards or personal loans there are many more who have come to financial grief purely because they do not understand how to manage monthly income and sometimes because they are not aware that there are benefits that are available to be claimed from the government. Careful financial planning could help to prevent many families from getting into debt which can have catastrophic results for all members of the family unit.

The welfare state was originally designed to look after families from the cradle to the grave but this no longer happens. Medicines, care for the elderly and education are just three of the costs that now have to be born to some extent by families. So, although there is free schooling until the age of 18, after that point anyone who wants to go to university needs to pay tuition fees and living expenses. This is one area which could be looked at for those families who have children who want to experience a university education and it needs long term planning from almost the day that the child is born.

Similarly, with everyone living to a greater age there should be more information and help so that people gain an understanding that the state will not pay for care fees if the person has their own home. Unlike Scotland where care fees are covered by the local government, in the UK the person needing care has to sell their home that they have worked hard to buy to pay for care fees. When they have reached an age where they suffer from a long term illness or just old age this is the only option and it is a family financial issue that needs addressing sooner rather than later. If more parents were aware that they could put their family home into their children's names while they are still fit and well it could save much heartache later on.

Once a part of the pride of the National Health Service, free medicines no longer exist unless you are a child under 18 or a pensioner. The cost for a single prescription is now £8.25 per item so anyone with an acute illness who needs constant medication will have to pay considerable amounts of money each month. Even though there are some prepaid options this is still a hefty charge for many families. Likewise hospitals now charge for visitor parking and the possibility of charging for food has been raised although it is not operational yet.

These are just three of the many different life costs that families should be aware of and along with the price for school uniforms and annual school trips to name but a few, the costs of bringing up a family can be very expensive. It is becoming clear that family finances are a very personal subject and each family has different priorities whether that is finding the money for private school fees or extra tuition, paying for university costs or looking after a disabled child. Therefore, the matter of family financial affordability is a difficult subject to cover.

How Can Families Make the Best of Their Money

The question about how families can make the best of their incoming funds will depend upon many factors. These include whether or not they can afford to save any money at all or whether every penny is eaten up by the time the next payday arrives. There are many small ways that families can save money on utility bills and other essentials but these are covered in other articles. Making the best of their monthly incomes, some families will put paying the bills as a first priority whilst other will try to manage several credit cards to keep on top of financial matters.

The most important fact to comprehend when dealing with financial affordability is that it is far better to cut down on non essential items and to try to save some money each month. However, as different members of the family may have different spending habits this may not be as easy as it sounds.

So, a joint approach to family saving and spending is one way that money can be managed in a better fashion. If this happens there is less chance of divisive arguments about who has spent the most and this means less stress all round. Even the most well balanced couples can hide secrets about spending money if they do not share the same values as their partner. When making a commitment to the family it would be a good idea for everyone to be on the same page about family finances. But unfortunately, this is the one aspect of a relationship that often gets left behind when people begin to live together. Just like the idea of a pre-nuptial agreement is considered to be too materialistic, having an in depth discussion about money may feel like it takes the romance out of life.

However, if people did sit down and think about how they would manage their finances when they start a family or when an emergency arises they would be far more prepared when that eventuality happens.

In the not too distant past there was a definitive line when men earned the majority of money coming into the home but these days it is usual for women as well as men to provide for the family. Studies have shown that there is usually one partner who deals with the finances for the family and this is one trait that should be avoided at all costs. It is very important for all members of the family to be involved in making the best of the incoming money. And, this should also include children once they are old enough to understand how finances work.If all children were taught the value of money and how important it is to make the best of what is available, they would be far more likely to grow up with an independent outlook and when they leave home would be able to manage money in a much better manner.

Making the most of the money available to the family means keeping tabs on all income and expenditure and, if possible, keeping the former ahead of the latter. If families could reach the end of the year with just a little extra savings then this would prevent the misery of debts that can easily pile up. Unfortunately, in this age of almost limitless credit this rarely happens.

Financial Planning in the Family

The ideal financial planning for a family should include a budget for monthly bills, food and travelling expenses. Plus a set amount to be put away each month in an emergency account to pay for unexpected occurrences like car repairs or the replacement of appliances. In addition, long term planning should include some provision for the education of children even if it is only to pay for school uniforms or school trips. And, in the long term, families should try to look far enough ahead to cover for the possibility of redundancy or long term illness.

Of course, there are some families who are unable to make financial plans because they simply do not have enough income to cover daily expenses or because they are on government benefits. However, if financial planning was a skill that had been taught from a young age even those with special circumstances would not feel that they had no control over their financial situation.

Understanding how to plan for family finances is a complex subject. However, by sitting down with a pen and paper and discussing the current situation with other family members everyone can make some inroads into having a say about what the future holds instead of just accepting that there can be no changes and that everything is left to chance.

CHAPTER 2

AVERAGE HOUSEHOLD SPENDING ON HOUSING AND UTILITIES

The last figures available, which were published in 2013, show that average family household spending was around £500 per week. But, averages are made up from high income families as well as those on low wages and benefits. Therefore, this figure does not really represent the reality of household spending for the ordinary family in the UK. The figures also show regional differences with four areas in the South East revealing higher than average figures. In addition, it appears that household spending has fallen from the figures of 2006 even when inflation has been taken into account. The spiralling costs of fuel and energy mean that families now spend more on essentials which in turn means that expenditure on non essentials is the area where reductions have been made.

The highest areas of household spending are on housing, fuel and energy bills. This contrasts with previous figures which showed that transport costs were one of the highest areas of spending. Householders in London spend more on housing and household spending for people living in the country is more expensive than for those people living in urban areas. This is due to the necessity to spend more of fuel and to the lack of facilities in rural areas. If we take a closer look at the different areas of spending in different regions it becomes clear that some families prioritise essentials whilst others spend more on non essential items. e.g. figures show that in the North East families spend a larger amount on recreation and culture than those who live in the city of London who spend more on housing and transport.

Following the financial crash in 2008, there has been a marked shift in household spending in the UK with families cutting back on luxury items like new cars, furniture and clothing and spending more on utility bills, transport costs and fresh food. Families are still feeling the financial squeeze even though the government assures us all that there is a strong trend for economic growth in the UK. One particular worry is the amount of families that are cutting back on energy leaving them without enough heat for the winter months.

Family Financial Affordability for Housing

With the ongoing economic crisis still affecting families in the UK, it has become apparent that many families are unable to afford the home they would wish to own or rent. Unlike previous generations who expected to be able to get on the housing ladder at a relatively early age, many people even in their late thirties are unable to find the deposit to put down to buy a home of their own and the costs of renting a home are also on the rise. Housing costs account for around 40% of income for many ordinary families so it is understandable that most people are unable to save for a deposit to buy a house. In addition to the costs of housing there is the matter of household debt which also reduces the amount of disposable monthly income and as utility costs have also gone up the situation appears to be at a stalemate.

Looking at affordability of housing is a complex matter and it is usually measured by considering the percentage of income that is required for housing. The most common figure bandied around is that 30% of income spent on housing is considered to be rated as affordable. Of course, in some European countries like Sweden the cost of renting a home often includes the electricity and rates for council facilities. But in the UK, the amount paid for rent or a mortgage does not usually includes any of these extras. And, for those who live in an apartment block there is also the maintenance costs of the building to be taken into account.

The concept in the UK of affordable housing is generally regarded as homes that have a rent (or mortgage payment) that is affordable to the majority of the population. However as previously pointed out, some areas of the UK have very different levels of housing costs than others. Statistics also show that for families at risk of poverty the percentage of their income spent on housing is far greater than that for the population as a whole. For poorer families the percentage of income figure for housing averages out at around 40% whilst for the population as a whole it averages around 22%. And, it would appear that the gap is getting wider and not closing down. The causes for the rise in inequality can be blamed on a variety of factors including the ongoing economic crisis but at this time there is no sign of anything changing for the better.

Affordability and Utility Costs

When it comes to costs for utility bills the situation is no different. Poorer families pay more because they either live in sub standard housing which costs more to heat or because they are stuck with one energy supplier. This could be due to the fact that they do not know how to change suppliers or because they owe money for previous bills which needs to be paid off in instalments. Contrarily, government subsidies to energy companies that are provided to reduce the amount of reliance on fossil fuels have led to an increase in electricity and gas bills both in the UK and in Europe.

Although families in the UK pay less for energy than their European counterparts, this is offset by the fact that most homes in the UK are more expensive to run due to poor insulation properties and the large supply of older housing. Fuel poverty is a real problem for many families with around 10% of households in a situation where they are unable to keep warm in the winter.

To sum up the current situation, UK families do have lower electricity and gas costs than other EU citizens but the poorest section of the community spend a higher percentage of their income on heating,lighting and cooking. With the demand for energy getting higher there is a real chance that costs will also increase putting many families in the position where energy becomes unaffordable. And, although there have been dramatic reductions in the price of oil in recent weeks there has been no sign that energy costs will drop in the near future.

The current obsession with changing over to non fossil fuels has had a direct impact on household energy bills even though there have been some measures implemented for households that need help with insulation costs and other energy cutting policies. There are some new initiatives in the pipeline like smart meters which will encourage families to cut down on energy expenditure. There are also more plans to increase the implementation of the Green Deal which helps to provide better insulation and lower cost heating measures for more households. The government predicts that poorer families will be the most likely to benefit from the extra policies as they spend a higher percentage of their income on energy which means they will make the greatest savings. However, this presupposition is government speak and is not a fact.

The cost of clean water for families in the UK has also been subject to a report published in 2013. It states that current water bills are not affordable for many families following the huge increases in costs since the privatisation of the water companies that happened in 1989. Again it is low income families who suffer the most privation with over 23% of families paying over 3% of their income on water and sewerage costs. Large families suffer the most as water is now metered in most households and there are some categories of families who have members with medical conditions who find the cost of water unaffordable. Some of the water companies do have social tariffs for special cases but it is a fact that many people are unaware of these and therefore do not gain any benefit. There is a clear difference between the water companies with only three opting to take on the social tariffs scheme so it will depend upon where families live whether or not they can take advantage of these schemes.

As sewerage and water services are essential for healthy living and considered to be a basic human right, prices for these services should be affordable to all families. Households with children and those families who receive a low income are consistently finding the cost of water to be unaffordable. The average household bill in 2014 varied from £354 per annum to £499 per annum (in the London area). For families on low incomes or benefits these charges equate to a large proportion of their income and are a direct cause of some people cutting back on water usage. As families become unable to pay for water there has been an increase in debt particularly in view of the fact that water companies are not allowed to cut off the supply. This debt has a negative effect on other customers as companies increase costs to compensate and it can also affect the standard of living of those families owing the money.

The government stance on water and sewerage services is that they should be affordable to all families including those that are vulnerable. However, the powers that be also want to continue investment into water supplies and this means annual increases in charges. There was a idea floated that families on low incomes and those with medical needs should be provided with water at discount prices. But, as austerity measures have been implemented the discounts are only going to be available to low income families with dependent children. Instead of reducing costs the organisations are encouraging people to reduce their consumption of water, to install a meter instead of paying the old style water rates and to enlist in the Watersure and Waterdirect schemes that are in place for families on benefits.

Watersure provides help for families with more than three dependent children if the family receives any one of a number of certain benefits. Or, families can enlist in this scheme if there are family members with an ongoing medical condition. This scheme is funded by the rest of the consumers of water services

In contrast, Waterdirect is a scheme that is run by the government and this allows families who owe money to the water companies to pay it off by having payment deducted directly from their benefits. Not a great deal of help when families are struggling to cope with all the rest of the household bills. There are a few water companies which do hold charitable trusts to help vulnerable families who are unable to meet their bills.

At the heart of the matter of affordability is the willingness and ability of the customer to pay for the costs of clean water and reliable sewerage systems. However, many people feel that the rising costs of water services, which has increased by over 50% since privatisation, is a topic that should be addressed as a really important social problem and should not be down to how much profits the water companies are making. There will always be families who are unable to afford the basic services like energy and water and perhaps the debate should be about helping the most vulnerable and not enforcing payment at any cost.

CHAPTER 3

FINANCIAL AFFORDABILITY – FOOD, TRANSPORT AND CLOTHING

Food prices have been consistently on the rise over the last five years and as a consequence there are many families who are unable to afford nutritious and fresh foodstuffs. The consequences of this have been twofold. There has been a rise in obesity due to the plentiful supply of unhealthy fast foods which are cheap to buy and some families are now resorting to food banks to top up their weekly shop. Although the increase in the price of processed foods has been higher than that of fresh produce this has not stopped people from buying this unhealthy kind of food and the reasons behind this trend are variable.

There is a consensus that the era of cheap food is over, at least for UK citizens. This is a result of the higher demand in countries like India and China, where there has been a shift towards a more European diet, and a reduction in supplies. This has been caused in part by the unpredictability of exports from countries like Russia and in part because of the occurrence of some disruptive weather conditions that has decimated staple crops. In addition, commodities have continued to rise in price whilst salaries and benefits have remained the same or have been cut.

Speculation on commodities has also had an effect on prices as has the fluctuation of exchange rates and the rise in the price of oil. Once the collapse of the housing markets in the US and the UK started in 2008 there was a run of money placed in commodities which has contributed towards higher food prices especially for basics like cereals. In addition, there has been a trend towards using maize as a fuel leading to a shortage of supply for this particular crop. So, how has this change to food prices affected families in the UK?

Basic foods like meat, fruit, milk, cheese and eggs have risen between 31% and 34% from 2007 to 2012. Undoubtedly this had had an effect on the health and well being of families on low incomes or those who subsist on benefits. Poor diet can result in increased chances of major diseases like cancer, diabetes and heart disease and children can suffer from deficiencies that cause their growth to be delayed. As well as tooth decay, which can be caused by too many sugary drinks and not enough milk, children from poorer families who do not receive a good diet are more susceptible to an increased chance of anti social behaviour and a shorter life span. Diets that are full of saturated fats, high levels of salt and too much sugar can also contribute to low attention levels thus causing poor results at school.

The government has made some attempts to address the problem of food affordability for families by issuing pamphlets about healthy eating and by making some strides in food labelling that makes it clear exactly what each food contains. There is Healthy Start scheme targeted at pregnant women and mothers of young children and Healthy Living Centre Programmes have been established in areas where food poverty is most prevalent. However, despite these strategies, so far there have been no major improvements in the health of the poorest families in our society.

There is another factor in family food affordability that is important and that is the locality of where people live. Access to affordable and good foodstuffs should be within walking distance and it is often a lack of transport facilities and a lack of time due to caring for children or elderly relatives that means many cash strapped families cannot shop for the best foods. Additionally, older residents can find it difficult to carry heavy loads and with only a basic pension to live on may find it easier to buy small amounts of processed foods that are easy to carry and to prepare.

The government does have a body that monitors food prices and how affordable they are for families in the UK. However, there is a long way to go before all groups in society reach a state where the playing field is level and affordable fresh nutritious foodstuffs are available to everyone.

Affordable Transport for Families

Good pubic transport is essential for families who do not have access to a car and this is especially so for those living in rural areas. Whilst it is true that London and the other major cities have many forms of transport, the question is ' are they affordable?'. The rise in fares on the London tube, buses and trains, and the congestion that is a daily occurrence means that some serious investment needs to be made so that low income families who live on the outskirts of the city can afford to commute without making a huge hole in their budget. Additionally, families living in out of the way areas can sometimes be isolated by the lack of transport.

In the last 5 years bus fares in London have risen by as much as 50% making it more difficult and expensive for lower paid workers to reach their jobs. Overcrowding at peak times is also part of the problem and once the time arrives when workers cannot easily get to their jobs it will be very damaging for the economy as well as for the low income families who are trying their best to make a living. In some areas high transport costs mean that for many people choosing to live on state benefits is a better option than getting a job that results in less money in the pay packet.

Whilst those who can afford to pay upfront for monthly passes on the tube and the trains, lower paid workers cannot fork out the sum required and are therefore penalised by paying higher rates on a daily basis. Bus tickets are not transferable and people who need to take two or even three different buses can end up paying quite a large proportion of their wages in travelling costs.

In rural areas where public transport is at best a patchy affair, families with small children and seniors who live alone can find it difficult to reach basic services like shops, medical centres and schools. This reduces their opportunities to buy cheaper foodstuffs from a large supermarket and have access to immediate health care which also adds to the disadvantage of isolationist feelings. Older people need interaction with family and friends and young mothers certainly need to have access to meet up with others in the same situation.

In some rural villages there may be only one or two buses a week to the local town. As costs for running a car or to pay for taxis are very high it can lead to a depressing spiral of loneliness that can have a huge impact on the state of the family. Families need affordable transportation if they have a disabled child or an ageing parent who needs frequent medical appointments. The plans of the Department of Transport often highlight the needs for better roads and motorways and even more money invested into airports which meets the demands of wealthy travellers but the poorest in society are often left wanting. Much more could be done to make bus fares more affordable, to increase the amount of cycle paths and encourage car sharing so that costs for transport can be realistically reduced.

Affordable Clothing for the Family

Although a discussion about affordable clothing may appear to be irrelevant or even irreverent, it is an important topic for many low income families especially those with school age children. When the back to school time arrives, poorer families struggle to buy school uniforms especially if they have more than one child. Whilst some state schools allow flexibility which enables parents to buy generic school uniforms from the large supermarkets, others are demanding branded goods which can only be purchased from a set supplier. In particular the insistence on specific types of PE kit or bags can add a back breaking sum to the costs of everyday school wear.

Figures show that low income families can pay as much as 40% of their monthly salary for school uniforms during the month of August. And, the average bill for fully equipping a child when they go back to school after the long holiday is almost £200. Primary school children cost less but once a child goes to 'big school' the costs for clothing and equipment shoot up. When you add to the equation that children are still growing and will soon need replacement clothes it becomes clear that affordability for school clothing is a big issue that need to be addressed sooner rather than later.

Although the majority of parents approve of school uniforms because they conceal the differences between those families who are better off and those who are on low wages, the rising costs of specialist school uniforms means that many are struggling to pay out the large sums required. As more schools are changed over to the governments 'academy concept', the distinctive uniforms for these institutions that are only sold in specialist shops means more of the weekly wage is eaten up in buying simple clothing that will soon be outgrown.

There is some support for families to make uniforms more affordable with many councils supplying vouchers for lower income families which can be used towards the costs. However, this means tested benefit once again singles out low income families and advertises the fact that they cannot afford to pay the full costs of uniforms.

In the last couple of decades the costs of 'normal' clothing for families appears to have fallen with cheap stores like Primark thriving as fashions constantly change. However, these kinds of stores sell virtually throwaway clothing that will often not survive more than one wash. There has also been a substantial rise in charity shops selling second hand clothing and the increased popularity of these shops shows just how expensive clothing can be when a family is on state benefits or a fixed low income. If we could only get rid of the idea that fashions have to be constantly changed then maybe there would be a return to affordable well made clothes that would last more than one season.

CHAPTER 4

DO YOU KNOW MUCH YOUR FAMILY CAN AFFORD?

There are some lucky families who do not have to think before paying bills or buying goods but the majority of ordinary people in the UK have to limit their spending. So, do you know how much your family can afford? Unfortunately, for many households the answer is NO. With media pressure to buy the latest smart phone or fashions and with advertising sending out messages of a sense of entitlement for every new product, many families overspend every month without realising the problems that are building up for the future. How can we prevent this situation from arising?

The best way to prevent overspending is to set a budget for everything from buying a daily newspaper or skinny latte coffee to paying the monthly mortgage. Whilst we almost all understand how important it is to pay the mortgage or rent every month, most people underestimate how much is spent on trivialities and fail to grasp exactly where their money goes to each month.

The cost of living is something that increases every year and with more than 50% of income going on housing, food, fuel and transport there is often not enough left for recreational treats so this is when the credit card comes into play. Once the habit of using a credit card to increase your income is established it is hard to stop and this is when families can start to get into severe trouble. So, if you can't increase your income you must take control of your spending. The best way to get to grips with your finances is to organise a budget. But, where to start?

There is a lot of information on the Internet about how to organise a budget and there are some basic measures that are easy to put into place. If you have a PC you can start a spreadsheet listing all incomings and outgoings or use a simple notebook and pen which works just as well. The important thing to remember is to note everything down. Once you have done this for a few weeks you will find it has become a habit that will remain with you for life. You will be astonished at how much is spent on non essentials and will then be in a position to start cutting down on them.

Where Does the Money Go?

The largest portion of expenditure for most families is on rent or the mortgage and this is good place to start especially if you have accumulated some serious debt. Is it possible to move to a cheaper house or apartment? Can you remortgage to reduce your monthly payments? If both of these ideas are not options then you will have to look at other measures to make sure that you have an affordable lifestyle.

There are a lot of ways to cut down on energy costs which is the next biggest spending item. Check out whether you can switch providers or make some small home improvements that will help to reduce the amount of fuel used for heating and lighting. Energy should be affordable for every family in the UK but you can your family help to reach that situation by adopting some small measures such as turning down the heating by a degree or two or just by installing some insulation such as thick curtains or draught preventers. Even turning off appliances and not leaving them on standby can help to reduce energy costs and fitting thermostats to radiators is a good way to reduce the costs without feeling cold.

Transport costs make up another big part of the monthly spending for families and if you are hemorrhaging money on fares to and from work you may want to consider car sharing or going by cycle if this is feasible. Alternatively, if you can work from home at least one day a week this will cut down on travel costs but remember that it might increase your heating costs so make sure that it is worth while.

Food shopping is another area that can be looked at to see whether any costs can be reduced. Buying affordable food for the family should be possible if you operate a policy of smart shopping. This means planning ahead for a week of meals and taking a list when you hit the shops. Understanding how much you can afford to spend on shopping will help you to limit impulsive buying on treats that are not essential. Of course, all treats should not be stopped but do you really need that expensive Starbucks coffee every morning? Try to make an effort to keep treats for once a week or for weekends and you can cut your food bill so that it is easily affordable for the whole family.

Looking at daily, weekly and monthly spending is the best way to establish whether your family outgoings are affordable or whether you need to make some drastic changes to your spending habits. Once you have got to grips with the amount of money going out you may find that there is a small amount left over and this can be put into a savings account either for a long term goal i.e. deposit for a home, or as a buffer against an emergency.

Affordability for family spending should include some funds as an insurance against unexpected occurrences such as buying a new washing machine or freezer or in case there is illness or a redundancy. Many families go to the wall because when the regular income stops for whatever reason, they are unable to function on a lower income. However, if you have become adept at budgeting when you are in work you can apply the same principles if you lose your job.

The Biggest Financial Challenges for a Family

If you don't want to be part of the statistics that make divorce a fallout from money problems, it is important to realise that understanding about affordability for the family is vital. Living above your means and having different ideas about saving and spending can cause stress for any family and this is especially so for those on low or fixed incomes. As a financial challenge, a low income comes top of the list of problems but you can learn to live on less by sticking to a budget and reducing debts and once the amount of debt has been reduced you will have more disposable income.

Losing the income of the main breadwinner is another situation that occurs too often since the economic meltdown of 2008. It can have a major effect on all the family but this is another situation where a budget can help to allay everyones fears. Stick to spending only what you can afford and the financial challenge can be met head on.

Reducing the amount of debt that your family has is also a challenge that can make the most optimistic person feel daunted. But, there are lots of organisations that can help with advice about coping with debt and many people have come out the other side wiser and more knowledgeable about how to keep their family in an affordable manner.

Ill health is another situation that can prove to be a financial challenge especially if the illness is a chronic long term disease or condition. Get the help of relatives and professionals so that you do not feel overwhelmed by medical costs for prescriptions and caring for the family member who is ill. Some time out from caring can help to put thing into perspective and will also assist you to remain calm and to get the financial help that is available through the NHS or other organisations.

Finally, it is always a good idea to be on the same page when it comes to money. If one partner is a spender and the other a saver it can prove very difficult to maintain a viable relationship when money becomes tight. Don't fall into the trap of letting your family life become unaffordable due to excessive spending on non essential items. Make sure that children are also involved in understanding that living an affordable lifestyle is to the benefit of every member of the family.

Being aware and having an understanding how much your family can afford will allow you to take control of your life, prevent a build up of massive debts and it also means you will sleep at night without the constant worry about what financial challenge the next day may throw at you.

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CHAPTER 5

TEACHING CHILDREN ABOUT FINANCIAL AFFORDABILITY

Just over a year ago the Education Department made it compulsory to include financial lessons in the UK schools national curriculum. This means that all children aged 11 to 14 will now be taught about using money, budgeting and what kinds of actions could constitute financial risks. Older pupils from ages 14 to 16 will receive more in-depth lessons about the differences between credit and debit, income and outgoings, savings, pensions and the many different kinds of financial products. In addition, they will be taught about how the state functions and uses public money that is raised from taxes.

The importance of this addition to the curriculum can be understood when it appears that many people are unaware about base rates, government national debt, government deficits and inflation. Moreover, many people do not give a thought to saving for a pension until they reach an age when it is impossible for them to accrue enough to receive a decent income after they retire.

It has taken a long time for the importance of financial education to come to the fore but there is still no lessons on offer to younger children at primary school level. So, how can we help our children get to grips with the concept of financial affordability?

This is the one area where adults can help to forge a lifelong commitment to good habits regarding money. If you have bad financial habits of your own these can be easily passed along to children so the first step to teaching good habits is to look at your own attitudes to spending and saving. If you are constantly making impulsive purchases, these actions can pass on a message to children that anything they want is available at any time. Therefore, when buying an expensive item or a special treat you should remind children that this has been saved for or that it is a one off purchase and will not be available every week.

Of course it is important that children are not be made to feel that they are expensive to keep and it would be damaging for them to be constantly reminded about the costs of everything that is bought. But, giving them an understanding of how money works and how spending can be controlled is an excellent lesson that will stand them in good stead all of their lives. Once your children reach an age where they are given pocket money, teaching them the benefits of saving for specific items or saving a proportion of their money for the future is going to set in motion good financial habits.

Many parents feel that it is their job to protect children from financial decisions. This is very laudable but as soon as they are at an age to comprehend that money is needed to support their current lifestyle you can begin to include them in the decision making process. If there is a big family decision to be made about buying a more modern car or having a holiday why not include children in the discussion? This will give them some understanding about how, on some occasions, there is only enough money for one of the options and it will enable them to be relaxed about discussing aspects of finance when they are grown up.

Choosing between Needs and Wants

Teaching children the difference between what is needed and what you would like to have is one of the most important aspects of family financial affordability. If, every time your child asks for something you buy it (even if you can afford it), you are doing them a disservice. You don't have to say that you cannot afford it but merely point out that at this moment in time you have decided not to buy it for them. Equally important is to point out the option for older children to do some household jobs to earn the money if they so desperately need that new computer game. This not only teaches them about the value of working for what they want but also helps them to become more independent.Lessons like these will help children to appreciate, in the future, they are not entitled to everything they want just because they are family.

Teaching children about saving money is just as important as teaching them about spending. And, this includes saving money on household bills like energy costs. When money is in short supply it is a good plan to explain to your children what is happening and stress the importance of turning off lights and computers or closing doors to keep the home warm. Likewise, if you explain about how cutting costs for phone bills will allow you to have some money left at the end of the month you will be giving them a good lesson about finances whilst also instilling good housekeeping attitudes. These can be invaluable later in life when your children are setting up in a home of their own.

Once you have started the conversation about what is affordable and what is not you can use this to get everyone involved in the financial aspects of the home. Your children will learn that just because you say 'no' you are not being mean but simply cannot afford to buy that certain something at that moment in time. That is not to say it can't be bought in the future but it teaches your children from expecting what they want when they want it and delivers the vital message that deferred gratification also has its benefits.

In addition, teaching the concept of saving for a rainy day will also send out the message that the future is unpredictable. Whilst you don't want your children to feel insecure, teaching money management from an early age is the best way to prevent a financial meltdown when they have left home for university or to live in another town or even another country.

Financial Competition Amongst Adults and Children

Financial competition is one aspect about handling money that is quite difficult to teach to children. Especially if you are constantly comparing your lifestyle to that of others who are better off. Children will soon pick up on conversations about better cars or bigger houses so try not to constantly compare your lifestyle with others. If you do, the message you will be sending your children is that only a lot of wealth or conspicuous spending can make you a success in life. If this lesson becomes ingrained into their minds children will start comparing their own possessions against the material objects of others. This can lead to a loss of self worth when the other child has more expensive trainers or the latest smart phone.

It is a great idea to encourage healthy competition but try to keep this to sport or other activities that are not connected with money. And, the best motive a child can receive is to compete against themselves. Inspiring a child to do better because it will empower them is the best motivational tool you can use. Try to make them understand that money is a means to an end and not the end itself. If you can instill the message that money does not bring happiness you will be giving your children the most valuable lesson in life.

Above all it is important to be the role model from which your child can learn about good monetary habits. If you don't have good financial habits yourself you will not get your children to understand how important it is to save or to pay bills on time. Even young children can be taught the importance of prioritising money to pay for rent or household bills and you can always make a game of finding the best bargains when you go shopping. Children love to please their parents so why not involve them in the weekly shopping trip. This will also teach them about impulse purchases and why it is important to buy

the essentials first before moving on to treats. Explaining about the value for money concept to children can include a talk about how durable a product is and that it may be wiser to save up for a better quality product than to choose a cheap one that could break very easily and soon need to be replaced.

Teaching Children How to Save

Once a child is old enough to understand the concept of money you can begin to teach them about savings. Most children get money for a birthday or Christmas from adults who are not too close to the family. Why not buy a piggy bank where a child can keep small change and then open a savings account to deposit larger sums. If your child receives a cheque for a birthday explain to them that some of the money can be spent on a present or treat but that it is a good idea to put some aside for a future event. This could be to save up for a large item like a bike or for some spending money when they go on holiday. If you teach your children from an early age that saving some money for the future is a good idea then saving will easily become a habit for life.

Making saving money a fun action is also important so if your child wants to buy a particular toy or something bigger you can work with them to draw a chart which will show how long it will take and mark off the weekly amounts as they are saved. This will teach them about the value of larger items and make them understand that some things take longer than others to get. Patience is an underrated virtue and by showing your child that they have to wait for what they want you will be helping prevent them getting into debt later in life.

Even having a jar in which you throw change can help you to get across the value of saving. The old adage of 'look after the pennies and the pounds will look after themselves' still holds true and this is a great lesson to help children appreciate the value of saving even small amounts of change. Saving money is such an important life skill that once imparted it will stay with your child for the rest of their days.

Summing up Family Financial Affordability for Children

Teaching your children how to develop financial skills and to understand the concept of affordability is essential for their personal development. So, even when you shop with a debit or credit card it is important to make children understand that this is real money you are spending and that it has to be paid back. You can also take time to teach children about how an ATM works and that it is not a money tree but is a machine that holds the cash you have earned by working. Just as important is to explain how the electricity and gas in your home has to be paid for so that you can cook, watch TV and keep warm. Just a simple explanation about these everyday matters will help your child to get a grasp of economics that will allow them to understand the importance of money and how it can be controlled.

One of the most important life skills you can show your children is the concept of how money works and how to stay out of debt. Teaching them about how it costs money to borrow money and that debts can get out of control will help them when they are older and have to make independent decisions about financial matters. Showing your children how to be financially smart can lead them to a happier and more fulfilling life that avoids the deadly trap of debt and gives them a solid financial future.

CHAPTER 6

EDUCATIONAL COSTS FOR THE FAMILY

Education in the UK is supposed to be free but as many parents are finding out this is an untruth. Figures for 2013 reveal that it is costing around £1,600 per year per child for education and related costs. This is rise of 11% on the previous five year period. So, for covering the period of ages four to eighteen it means that parents are shelling out around £22,000 per child. These figures take into account the costs for pre-school and after school care, travel to and from school and lunches.

Additionally, there are school uniforms, sports equipment and textbooks plus activities like school trips, sports and music events and extra tuition to prepare for important exams. These figures make it clear that education is no longer free as successive governments have boasted and low income families are finding it a challenge to keep up with spiralling costs. If you also take into account the other extras like overseas educational visits and a PC tablet that seems to be a necessity these days, it brings the costs of education into the bracket of an extra household bill.

Help With Educational Costs

Funding for pre-school education is available and this is for children before they reach school enrolment age. From 2016 this allowance means that the parents of children aged 3 and over can apply to enrol their child in a state run nursery or a private nursery which will be funded. This is not compulsory but parents are being encouraged to sign up to the classes which help children to integrate with others and to learn through play activities. The government wants every child to experience at least one year of pre-school learning but parents sometime have to accept a place at a nursery that is not their first choice.

School uniforms can be costly and there is financial help available through the Educational Authority where you live. The grant covers both primary and secondary schools as well as pupils who go into special schooling. Families who are eligible can receive between £22 and £56 per child per annum. Those families who are eligible can also apply for free school meals and these are provided for people who are on income support or who receive certain other kinds of benefits.

Transport to and from school is another cost that can be supplemented by the state but there are strict criteria applied. The child must be between the ages of four and twelve and must live at least 3.2 kilometres from the nearest school. Children with special needs are eligible for free transport to and from school and to go to special extra classes.

Once pupils have reached the age of 16 there is an Educational Maintenance Allowance that can be claimed which pays £30 per week to enable children to stay on in education. This could be in the sixth form or a local college and the grant applies equally to those who want to gain vocational qualifications and not just academic ones. This money can be used to help with buying books or other necessary equipment and can also help with the costs of travel.

There are also two bonus payments of £100 that can be paid to students who achieve goals that have been set by the college or school. These bonuses are paid in January and June each year. The funds are paid directly to the child into a bank account and are not paid to parents. The payments are means tested and are available only to children who live in a household that receives up to £20,500 or to children with one or more siblings who live in a household earning up to £22,500 per annum. The receipt of EMA does not have any effect on other benefits.

Further Education Costs

Families who want their children to go to university face a big financial challenge but for low income households there is some extra support available to top up student loans. Discretionary funds are available to students who have not received a loan cheque at the start of the term and both full and part time students can apply. Sometimes the funds are a loan which will need to be paid back and sometimes they are in the form of a grant. This will depend upon the circumstances under which the student applies. In addition, the funds can be paid directly to a third party e.g a landlord.

Tuition fees for university students are now up to £9,000 per academic year but part time courses may be less costly. When a student applies for a loan the income of the parents is taken into account and in some cases parents will be required to make a contribution to the livings costs of the student. If however, there has been a drop in income from one year to the next the costs may be curtailed or dropped altogether. Marital status can also affect the contribution that parents are required to make so in the event of a divorce or the death of a partner the circumstances have changed and a new assessment will be made.

How Much in Supplementary Costs Should Parents Pay

Many families want to help and support their child through higher education and this raises the matter of how much they should pay or are able to pay to help with living costs and recreational activities. These days more and more parents are now starting to save for educational costs almost as soon as their child is born and this is an excellent plan if you can afford to do it.

One of the best ways to support a young adult through university is to supplement their student loan by paying a fixed amount per month to help pay for rent and food bills. If you have been able to save for 18 years even a small amount per month, this can help your child once they start out on their own. Of course, many students take on part time jobs to supplement their funds and this is an excellent way for them to learn about responsibility and how much it actually costs to live in the real world. Its is a great lesson in life so don't be fooled into thinking that you have to support your child until they reach middle age.If you can't afford to give financial aid to your student child then you can help in other ways by allowing them free accommodation during the holidays even if they have got a holiday job.

With annual fees becoming more and more expensive there is a final alternative that some students are now considering if they want to go to university. Under the EU rules there is complete freedom of movement and this enables any student to look at studying abroad in a country like Germany where university education is free. Enrolments in UK universities dropped by 5.6% during the academic year 2013-2014 and the uptake of places at EU universities has been on the increase. No tuition fees mean that students only have to find living costs and they will also gain a unique experience in some of the worlds finest universities. In Germany all courses are available in the English language so there is no reason why an independent student should not benefit from the free tuition and lower cost of living. This would result in fewer students finishing their degree with enormous amounts of debt and would go a long way to helping them to forge a better career.

Summary of Financial Impact for Education Costs

Far from being free, education in the UK can be a costly process and this can have an enormous impact on the family. However, as you can see there are a number of ways and means that costs can be limited as long as families are aware of their entitlements and of what is available. A good education will always cost money but if you apply for all the available grants from pre-school age to university level, the costs can be curtailed so that the education of your child will not leave you in a lot of debt. Once your child reaches the age of 16 they can help to pay for their own education by taking on part time work and this teach them financial responsibility which is so important.

Education is a right and not a privilege but the onus has now been passed on to parents to look at the best way of achieving the best possible education for their children. So, find out what is available in your area and you can help your children to a thriving financial future.

CHAPTER 7

FINANCIAL MISTAKES THAT YOUNG FAMILIES MAKE

Starting a family is one of the most momentous events in the life of a young couple and it can change every aspect of financial stability. Having been free from responsibility, except for each other for a long period of time, once a baby comes along it is a game changer. Not only do you have to pay for rent, food and transport, there is a looming list of potential money spending necessities that are going to go on for many many years. This means that most couples will make some financial mistakes and some will find it hard to adjust to the more restricted lifestyle that being a parent inevitably brings. Being conscious of what those mistakes are can help you to avoid becoming financially derailed when your baby is born.

One of the biggest mistakes that you can make when starting a family is incurring too much debt. If your overall take home salary is going to be reduced for a long period of time then getting rid of as much debt as possible before your baby is born is the ideal target to aim for. Once overall debts including mortgage or rent, personal loans and credit cards take up more than 30% of your salary you will find it difficult to manage especially with all the extras that need to be bought for the little one. Borrowing money to buy a car may look like an easy option but you are just paying interest for something that is depreciating in value. So, keep your car for as long as it is viable i.e. until repair costs outweigh the benefits of a new loan. If possible save some money towards a new car so that your overall borrowing is reduced.

Budgeting is an essential for young couples who are thinking about starting a family. Once you understand exactly how much is coming in and going out every month you can find ways to cut costs that will accommodate the extras needed when you bring your new baby home. And, in the long term you will need to start planning now for education costs if you want your child to go to university. Although this may seem like a long way off, the years will go by very quickly so starting an education savings account as soon as the baby arrives is a good idea. Unfortunately, many couples overestimate the amount of money they have at their disposal and this can lead to a big shock once they turn into a family.

Retirement and Insurance

Another mistake often made by young families is not thinking ahead to when they retire. Whilst retirement may appear to be years away it is a mistake to ignore starting some kind of pension plan for the long term. Waiting until you can afford to save for a pension means saving even larger amounts later in life if you want to have an enjoyable retirement. If you can max out your contributions whilst you are young you will reap the rewards with a healthy pension instead of relying on the small state pension that will probably be available in 30 years time.

One essential financial element of life should never be ignored and that is insurance to cover the mortgage and the death of a partner. You should also consider what would happen should you become too ill to work and how your family would cope with bills and take out adequate ill health and disability policies. Add in the fact that the house also needs to be insured for both the building and the contents and you can see that insurance should be ignored at your peril.

A Rainy Day Account

The biggest mistake that young families make is to assume that things will go on as they always have done. However, most families are just one or two pay packets away from financial meltdown so having a rainy day account should be a priority. Try to keep between 3 and 6 months salary in a separate account so that should illness or redundancy occur you will have enough to

keep you going whilst you get better or search for a new job. It may appear to be an impossible task to save up that much money especially when there is a new baby in the home but small amounts can soon accumulate so try to put aside something every month to cope with the unexpected emergency that could arise at any time. Whilst a new TV beckons you can usually manage with the old one and upgrade your existing PC instead of buying a new one. Trying your best to avoid these financial pitfalls will help you to make your family life affordable and prevent financial disaster from happening.

Financial Solutions for Families

If you find yourself with a young family and are struggling to cope financially, there are a number of solutions that could help you to get back on track. High debts, not enough income and overspending can cause financial difficulties so these are the areas where you can make some changes that could improve the situation.

The most important change that you can make is to alter your attitude to money. Whilst it is human nature to wish you had more money coming in, it is as well to look reality in the face and get to grips with how you handle what money is available. Many people make the mistake of taking a windfall (like a tax refund) and spending the lot without a thought about paying off some of their debts. How you choose to spend your money is the most important factor to getting back on track financially. So, impose some strict rules on yourself about spending habits and paying bills before enjoying the fruits of an unexpected windfall.

Additionally, try to change your relationship with money by not making impulse purchases that you think you deserve. Small savings on sweets, clothes and DVDs can soon add up to larger amounts that will help reduce your overall indebtedness. There are other ways to enjoy music and films that are free so don't overspend on treats. If you can think ahead about enjoying a debt free life then this will motivate you to refrain from overspending.

Making Better Financial Choices

Making better financial choices means looking ahead and not living in the moment. Life is unpredictable so take some time to consider your financial priorities and pay all bills on time, keep some emergency savings and include money for holidays so that you do not burn out from stress. Some good ways to save money and improve your health include cutting down on alcohol, walking instead of driving and stop gambling on the lottery in the hope that it will solve your financial problems.

One other excellent way to cut down on spending is to change your thinking about how other people perceive you. Trying to keep up with the Joneses is one sure way to end up deeper in debt so keep your own council and the way of life that is good for you and your family. By creating a spending plan you can focus on what is the most important part of your financial situation and deal with it in a sensible manner.

So, if you are in a position where increasing your income is not an option, the top ways to achieve financial affordability for your family are to pay off debts and reduce spending. By taking these simple measures and changing your attitude to money you and your family can lead a healthier and happier life.

CHAPTER 8

UNDERSTANDING AVERAGE HOUSEHOLD SPENDING IN THE UK

Statistics show that household spending is on the rise. Figures released in August 2015 reveal that there has been an increase of 1.9% over the last year with families spending more on meals out and leisure activities but cutting down on buying clothing. Money spent on holidays was also up with the largest rises being attributed to spending in hotels, bars and restaurants. But, despite this increase in the average household outgoings there was a marked decrease for High Street retailers who have experienced their worst summer sales for six years.

These increases have been attributed to the more positive economic outlook and unemployment figures are also lower. Combining these facts with low to almost non existent inflation means that wages in real terms have increased so some families are enjoying a small surge in spending power. However, there is the real possibility of an increase in interest rates that is looming for the early part of 2016 and this could cause a change in the trend for household spending for those with money left over at the end of the month.

Household Spending on Food

The last figures available for household spending on food were published in 2014 and they show that food prices rose in real terms by 18% from 2007 but that there has also been a decrease of between 0.8% and 3.13% in income for all households. However, despite these facts, food and non alcoholic beverages are still 7% more expensive in Germany and France and a hefty 14% more in the Republic of Ireland. Of course averages will always throw up anomalies so these figures will not apply to every family.

In spite of the high costs for fresh foods many families generate a huge amount of wasted food and there is a surprising statistic that shows the average family loses around £450 per year just on food that is thrown away. In addition to this waste there has also been a fall in the consumption of fruit and vegetables even though the government has pushed for people to eat their five-a-day portions.

The price of food is the driving factor behind what people buy with 41% of those interviewed naming price as the most important influence on their food spending habits. Promotional products and sell buy dates are two other factors that influence spending on foodstuffs and some families still put ethical products at the top of their list of priorities. Alcohol in the UK is priced higher than in EU countries but is still one of the products that people buy on a regular basis.

The average weekly spend on food and drink is £83.60 for a family of four. But, with a too high proportion of fresh goods being thrown away there are some measures that families can take to prevent waste and make their money go further. Experts have estimated that it is perfectly possible for a family of four to spend as little as £40 per week on food and drink without compromising on quality and still have a healthy diet.

Household Spending on Transport

The amount of money spent on transport takes up a high percentage of the average household spending for families in the UK. But in fact, this mainly applies to higher income families even though the figures show an average of 14% of income. The figures actually show different spending patterns for different income groups with low income families spending more on fuel for energy as well as housing and food. So figures for transportation costs are confusing. One survey shows that motoring costs have doubled in the last three decades but as fewer households now have cars this can also make the figures misleading.

There is no doubt that costs for transport to and from work have increased with figures for 2013 showing this annual bill as second only to housing and energy costs. There are also regional variations with households in London and the South East spending more than families who live in other regions of the UK. The high cost of oil made a difference to spending on transport with increases in fares for buses, trains and London Underground. Prices for oil have now fallen but costs for transport have not. In fact, rail fares have again shot up in 2015.

How Household Spending Has Changed

Although most families feel that prices continually go upwards, there has been a marked decrease in the average household spending when figures taken from 2001 are compared to those released for 2013. Families in some parts of the UK are spending more than others and there is also a marked difference between single parent families and big families.

As always London has the highest spending per household, which is probably due to the higher cost of housing, and the North East area has the lowest average. Housing has taken over from transport as the biggest item of expense although the figures are based on rents, repairs and maintenance and do not include mortgage costs. Transport comes second now with costs for driving lessons, air fares and running a vehicle also included in the figures.

Surprisingly enough the third sector to eat up household spending is recreational activities and culture. These include things like cinema tickets, books, newspapers and meals out and even include the cost of buying and keeping a pet. So what can we extrapolate from these trends?

As usual there is a great divide between the South East and the rest of the UK and the figures do not represent reality for many low income families who would love to be able to spend the £42.18 per week per person for food that is shown in the national statistics. Most low income families cannot afford to eat out so do not spend the £12.31 per person per week that is also quoted and many are struggling to make payments for household bills that do not come anywhere near the figures also quoted.

This shows that national averages actually mean nothing to the ordinary family so although the office of National Statistics regularly releases figures to show household spending trends they do not give a real indication of what it costs to keep a family in the UK in 2015.

CHAPTER 9

THE MAIN FINANCIAL ISSUES FACED BY FAMILIES

Ever since the UK entered a financial crisis situation in 2007 there have been numerous reports about the state of the economy and the effects upon the average family. After eight years there remain a lot of monetary problems and issues that are still leaving many families in financial difficulties. So, what are the main issues and how are they being addressed?

It would appear that no one could have predicted that the downturn in the economy and subsequent loss of jobs and savings would last as long as it has done. However, there were some economists who had been uneasy for many years about the state of the average family's finances. They pointed out that there was a record amount of household debt, property prices that were inflated, low amounts of savings and pension pots and a rise in costs for social care. These factors were largely ignored by all the organisations who

were meant to be acting responsibly i.e. the government, the banks and other financial institutions and bodies like the FSA.

There was also a large difference between the amount of money and wages in homes in the South East and the rest of the country. This hid the real statistics about how vulnerable some families were to become when the crisis took hold. Although the UK is still a nation that is relatively prosperous there remain many financial issues that are still eating away at the heart of the average family and these are causing stress, depression and are often the cause of the break up of the family unit.

Links between Financial Crisis and Social Crisis

Many authorities believe that the families of the UK have had to pick up the bill for the fall out from the financial crisis that was really the fault of the banks and the money markets. Or rather, the fault of those who manipulated and used these organisations to make a lot of money leaving normal families with huge amounts of debt.

Following the austerity measures that the government has put in place to cover the large sums invested into failing banks there has been a fault line developing between families who have 'won' and those who have 'lost'. This has caused resentment on both sides with low income families citing their richer neighbours as lucky or as people who have benefited on the backs of others and higher income families building up resentment against supporting those who they deemed to be irresponsible borrowers or just unfortunate.

Of course, there have always been these fault lines in society but the recent crisis has exposed them even more and this has resulted in a clear dividing line between the haves and the have nots. This has been exacerbated by the media which has taken some delight in apportioning blame on both sides of the divide.

Looking in a little detail at the financial issues now affecting families, it becomes clear that overpriced property was one factor in causing negative equity for many people and this could take almost a generation to be wiped out. This means that the ability of families to move on with their lives has been stifled as they are unable to borrow more to move to a larger property or may even be unable to move jobs if that requires relocating to another area.

Even though interest rates have been on hold for nearly 6 years there has not been enough growth in the housing market to help the many people in this situation.

Low income families are also still struggling with the large amounts of debt that was built up in the era of easy credit and this has led to an increase in borrowing from unreliable lenders just to cover the high repayments to credit card companies and to pay off personal loans.

In the UK families have always kept some savings but in the current economic climate savings are at an all time low. And, again there is a divide between those who are better off and poorer families who are unable to save a decent sum of money against any emergency that could arise. The difference in wages is also to blame for a disparity between households where wealthier families can afford to pay down their debts and take holidays whilst those on a lower income can barely meet their monthly commitments to rent or mortgage, utility bills and food. When you add in the cost of childcare and raising a family it is evident that many UK families are just about holding their heads above water.

The looming possibility of losing a job is also affecting the ability of the average family to plan for the long term and when you take into account the fact that state pensions will never be enough to support people in their old age, it is understandable why many families feel insecure and fearful when it comes to financial matters. In addition, the obvious resentment towards those who benefited from huge bonuses whilst in charge of the banks has caused a lot of families to come to the conclusions that the rewards are given to those in charge whilst the losses were off loaded onto the rest of society.

Unfortunately, this social unrest has led to a blanket criticism of any ‘banker’. This has led to an unrealistic view that many of those people in financial services who helped to generate money for the economy are just as bad as those who were responsible for the crash. So, the results are that the younger generation feel that they will never achieve the standard of living or opportunities that their parents enjoyed and the older generation feel let down as they watch their hard earned savings dwindle away as they are used to supplement pensions and services that were once free. Austerity measures have led to less funding for social care for the vulnerable and a lack of investment into the health service just as people are living to a longer age and are in dire need of more services and not less.

Challenging Financial Issues for Families

In order to change the face of the financial issues that families are currently encountering there are some basic challenges to be addressed. Increasing the economic stability of the country is the first and major issue that would help families. Removing the fear and insecurity that is currently rife within the fabric of society would go a long way to helping ordinary families to begin the road to recovery. If young people felt that there was a chance that they could have access to education without building up huge amounts of debt this would create a more positive outlook. Additionally, if rents were to be stabilised and young families could see the possibility of home ownership there would also be less resentment between those who are well off and those who are living on a day by day basis.

A successful economy could also lead to a situation where wealth and resources could be more equally shared especially to the younger generation which has been the one that will suffer the most from the results of the financial crisis. There is a core of people who are losing out in many areas and these include affordable housing, getting rid of unsustainable debts, building up savings and pensions and having access to decent health care.

There is also a real need for families to have access to independent financial information and advice that will enable them to make the best possible decisions for the future. Restoring the trust in financial services would help all families but this can only happen if financial advisors and banks do not return to the over competitive practices where they sell unnecessary products to the most vulnerable people just to make some commission.

There have been some new regulations put in place since the financial crisis. However, there is also a great need for the government to address all the financial issues faced by families and to put forward detailed plans that will help those most in need to escape the financial trap into which they have fallen through no fault of their own. Family policies that have been well thought out and actions that have been coordinated between both government and the opposition parties would help to cross the divide between the families who are coping and those that are still suffering from the fall out of 2007.

CHAPTER 10

FINANCIAL AFFORDABILITY FOR FAMILIES WITH SPECIAL NEEDS

There is a growing financial problem for families who have a child or children with special needs as recent research shows that the mothers of these children are often forced to give up their careers. This can cause a vacuum in the family finances but as it is often more expensive to employ a full time carer than to stay at home and lose a salary, mums and dads are choosing the lesser of two evils.

Finding good quality child care for disabled children means that many mothers who are well qualified in their chosen career are taken out of the labour market and this can have a major impact on the financial status of the family. With even average child care costing huge amounts, the costs for care for a disabled child are often as much as eight times higher than normal. The fact is that the situation of leaving work to care for a disabled child has often been forced upon a mother who would otherwise be making a large contribution to the family income and to the economy of the country.

The government has tried to put in place some strategies to assist these mothers but with 85% of mothers who have a special needs child wanting to work, only a small proportion i.e.16%, are in work compared with 61% of mothers of non disabled children. Even though the measures have made child care more accessible and have aimed to make it more affordable, these actions have not trickled down to the parents of children with special needs.

Shortfalls for child care for children with special needs range from around £330 per week for those on working tax credits and this compares very unfavourably with a figure of around £41 per week for those who require the usual kind of child care. When working out the universal credit that is available, the average family would have a shortfall of around £20 a week and families with a special needs child would be 15 times worse off with a shortfall of around £306 per week.

Young children with special needs require dedicated trained nursery workers of which there are few and older children are in dire need of support workers to help with leisure activities before and after school hours. The nurseries and clubs who can take special needs children need to offer one to one care and this is one cause of the high costs which can make childcare unavailable to mothers who wish to work. A lack of experience and training combined with the cutbacks to funding by the government means that the barriers preventing mothers from returning to work are increasing and not decreasing.

Unlike other parents, mothers and fathers of a special needs child can't share in school runs or otherwise exchange care options after or before school that ordinary parents take for granted. This means no play dates or visits for tea thereby marginalising the child as well as making the parents even more housebound. The government has quite rightly emphasised the need for more free child care of up to 30 hours per week in 2016 for pre-school children. However, this measure will not help the thousands of mothers and fathers of special needs children who want to work but cannot find suitably qualified people to take care of their family.

Specialist Equipment

Around 65% of parents of disabled children have reported feelings of isolation and over 75% report that they have never been offered any support in their caring role. As many as one in four families are unable to afford the specialist equipment which would make their lives easier and which would help their child.

Many families now rely on charitable funding to get the equipment they need even though the government should be the provider of these needs. The severe cutbacks that have been undertaken due to government austerity measures has put family affordability for special needs children at the back of the queue. Around one is seven families who have a special needs or disabled child have reported that they go without food as the benefits they receive are insufficient. In this day and age this is a scandal and it is clear that financial affordability does not apply equally to all families.

Families with disabled children or older members pay more for heating and bedding and are often charged a premium for the equipment that should be theirs as a right. Mobility scooters and quality wheelchairs which can help these families have free access to movement are extremely expensive and items like foot braces mean that disabled people have to pay more for shoes, purchasing them from specialist suppliers as normal shoes will not accommodate the fit of the brace.

Higher Costs for Everything

The families who have a disabled or special needs member often need a larger house to accommodate medical equipment and if they cannot drive they need to pay for taxis to work. Additionally, the taxis must be able to take a wheelchair which again adds up to higher costs.They also need to use the washing machine more often leading to larger energy bills and need to buy expensive cleaning agents more regularly. Even everyday items like buying tickets to a music event can cost more if the person cannot use a computer and must ring a premium telephone line to make the booking. And, of course, there is the problem of holiday insurance which many companies will not entertain.

The extra costs for families with special needs should be addressed by making more facilities more easily available and by protecting the payments that disabled people are allocated to pay for these higher costs. Housing, transport, clothing, specialist equipment and technology should all be as easily available to the families with special needs as they are to the ordinary families in our society.

In addition, there should be more transparency about the benefits to which special needs families are entitled and a greater attempt at providing better care facilities so that both fathers and mothers can go to work. The benefits to the families would help to reduce stress and could prevent many cases of depression and family breakdown. Finally, there would be less reliance on the benefits system and a better quality of life for all concerned. Financial affordability for families with special needs is one of the less well known causes that would benefit from being addressed with greater publicity. But, with further cutbacks due for NHS services and GP practices it is unlikely to happen anytime in the near future.

CHAPTER 11

FAMILY FINANCIAL AFFORDABILITY AND CARERS

With many people now living longer there are a growing number of adults who need to act as carers not only for their young children but also for their parents. Often called the 'sandwich generation', these adults, who are in the main women, are stretched both physically and financially when trying to support dependent children and elderly adults.

Although the government says it recognises the need for greater support for carers with more investment for those who take some of the burden from the NHS, the facts show that even though they have cut down on spending some carers have built up significant amounts of debt at a time when they should be at the height of their earning power. A major report from Carers UK states that 20% of carers had given up work because they were unable to have flexible hours which allowed them to continue to care for their family. And, the effects of less income, higher costs and smaller state benefits can have a serious impact on the whole family as the carer tries to continually juggle all the responsibilities. Carers can soon become exhausted which can also lead to a breakdown in the family. Additionally, financial difficulties can lead to a loss of control over life meaning that the carer is unable to cope both practically and emotionally.

In the UK there are over 6 million people who have taken up the role of carers and who have full time responsibility with little chance of any respite care in the offing. So, carers need more support and even small matters like organising medication over the phone with a home delivery could make a difference to their overloaded lives. Travel costs are often cited as one of the problems that carers experience so having food delivered is another simple solution that would enable them to have a simpler and easier life.

Carers Who Work

Most families now rely on two incomes so there are many carers who still have to put in a day's work so that their finances do not implode. In these cases the advent of flexible working is a great help and there are some large companies who do offer this kind of contract. In addition to flexible hours there are also some services that can be of support to carers by providing remote assistance such as telephone or video reminders about medication to vulnerable people whose carers are at work. Other services offered are food deliveries with drivers who are CRB checked so that carers can be reassured that only reliable people will be entering the home of their relative.

With even more austerity cuts to the state budget in the pipeline, the onus is now on employers to act on this growing problem but whilst many companies are fully aware of the problems of childcare, there is less awareness about the problems associated with elderly parents who need care. The amount of people who do take up eldercare services is far less than those who use creche facilities and this may be because there is less publicity for this type of service. Or, because employees feel that there is a stigma attached to asking for more help.

Although many businesses are now addressing this problem with opportunities for people to work from home and flexible hours that can be fitted in around caring duties, there are still a large number of carers who are unable to secure even part time work. Just a few hundred pounds earned every month could make a big difference to the financial pressure that families with carers experience. And, businesses which provide the opportunity for carers to return to work would also benefit as they would be gaining experienced and skilled employees.

Financial Responsibility for Adults

Another aspect of the sandwich generation of carers pertains to those who are now financially supporting both adult children and elderly parents. Many middle aged people are trying to work full time whilst spending money on grown up children who are at university and also spending on support for elderly relatives. This could be in the form of paying for a carer or helping out with the costs of household bills. Recent research shows that an average of £1,300 per year is spent on helping out elderly parents or other relatives whilst many families are also paying out around £6,500 per year for grown up children who are either out of work or need help to complete a university degree.

Many people are now taking on a second job or working more hours in order to assist the family at both ends of the spectrum and this has become even more important as university tuition fees have tripled and state assistance and benefits for the elderly have been cut. Not only are people helping with fees for carers but they are also providing money for food and to pay off debts such as high energy bills. Many also pay for additional medical care when the NHS has failed to deliver the essential service needed. In addition, some elderly people are unable to pay for home repairs or maintenance and this is another area where adults are paying.

The financial pressure that many families are now under can last for many years and it might only be a matter of time before cracks start to appear. Help may be required for many years and not just a short period of time and if one of the family then becomes ill or is made redundant the wheel could come off the waggon. In cases like these, financial advisors might suggest an income protection plan which would pay out if illness was suffered or if a job were to be lost. This would allow the family to carry on with their support in cases where the state does not provide any or little assistance.

It is clear that this will be an ongoing problem for many families in the future so perhaps this is the time to think ahead about how you would cope if your income had to be stretched so far. The chances of full time help from state resources is unlikely to appear so long term financial planning might be the best option for those who are going to experience these circumstances.

CHAPTER 12

FAMILY FINANCES AND DIVORCE

Just like getting married, getting a divorce can be a costly business. It can also have a huge impact on family finances especially when there is no amicable agreement about splitting up assets and debts. Very few people are now entitled to legal aid to pay for divorce costs so it is in everyone's best interests to reach a financial settlement as soon as possible and to avoid expensive solicitors fees which can soon build up. However, in the real world there are always going to be squabbles about family finances and when there are children involved in a relationship it is often a matter of having third party involvement from the Child Maintenance Service before an agreement can be reached about how much child support is to be paid each month by the absent parent.

There is also the matter of the family home and any debts or savings accumulated during the marriage and unfortunately this is often the reason why so many divorces involve solicitors. Getting divorced involves making some huge financial decisions that will affect your life now and in the future so it is important to have some understanding about exactly what options are available.

The Family Home

The family home is usually the biggest asset that a couple will have and there are a number of ways to deal with this asset. If there is enough equity in the house you can sell it and split the proceeds so that each partner can buy another home. This is often an unlikely scenario as many couples may have only owned their home for short while and do not have equity or they may be in a negative equity situation.

Another option is for one person to buy the other one out. Or, you can keep the home as joint owners until any children are grown up and then sell it and split the proceeds. The former option means that the person who continues to live in the house needs to get a mortgage in their own name and if this is the mother who does not have the earning power then it is not a suitable way to go. The second option is more usual but this means that the absent partner may not be able to buy a new home of their own as they are still responsible for the mortgage on the original family home. As you can see the whole area of home ownership can become a nightmare and often there is no ideal solution.

The final option is to transfer some of the value of the home as part of a financial settlement with the person who moves out retaining an interest in the house so that when it is sold they will get a share of any profits. The courts also have the power to prevent the sale of a home until the youngest child has reached the age of 18. This allows stability and continuity for the children of the marriage until they are adults. If the couple are unable to agree on a course of action then the courts will decide and will always put the interest of the children as a top priority.

Sorting out a joint mortgage is an important issue that needs to be tackled when a divorce is in progress. If the absent partner remains on the mortgage it will be hard for them to start a new life and buy another property. So, if possible the family home should be transferred into the name of the person who is staying in it. It also means that once the financial tie is broken there will be no joint credit files that could be adversely affected should the remaining partner default on the loan. Of course, the person staying in the house will have to go through financial tests to show that they can afford to make the full repayments before a mortgage can be transferred to just one name. Lone parents who are unable to afford a mortgage can consider asking for a guarantor mortgage i.e. from a close relative. For all parties it is in their best interest to achieve a clean break financially when they get divorced. As long as this happens there is no chance of one party coming back for more should the other one have a big improvement in their lifestyle. e.g. starting a new business that flourishes.

Joint Accounts – Who Gets What

Once you have made the decision to split up it is essential to begin the separation of financial matters. Whilst some couples do not have much in the way of assets there are still a number of financial products such as insurance policies, joint loans and joint savings or bank accounts that need to be sorted out. If you are able to have the conversation with you partner in an equitable manner then these kinds of issues can be dealt with easily and quickly. However, if this is not the case you need to make sure that your ex does not start to run up bills in joint names and does not default on loan repayments as this could have an adverse effect on your future financial credibility.

If both parties are unable to come to an agreement there is always the option of mediation by an objective third party. But in any event, you should contact all financial institutions as soon as possible to advise them that you are splitting up. You may be advised to give authorisation so that both of you have to sign for an overdraft or any other payments from the joint account. And, if there are savings you should always ask for two signatures so that the account is not emptied before you get your share.

If your salary goes into a joint account then you should ask your employer to change the payments to a single name account and make sure that any joint Internet or telephone banking facilities are frozen until things are legally sorted out. In extreme conditions you can ask for a joint account to be frozen but this may put regular payments for bills at risk and could affect your future credit score.

There are complicated rules about joint savings accounts for people who live in England and Wales. These rules state that funds in a joint account belong to the account holder who paid it in. However, in some circumstances a partner can make a claim for part of the savings even if they did not pay it in directly. This is because many women give up work to run the family home and thus are entitled to a fair share of what has been accumulated during the marriage.

Different rules apply in Scotland and Northern Ireland where the funds in a savings account are distributed equally to the joint account holders.

When it comes to credit cards and store cards then each person on the joint account is responsible meaning that if your partner goes on a spending spree with that card you will still be liable to pay it all back. That is why it is so important to quickly notify companies and close joint credit accounts. With home insurance policies or car insurance where one of the parties is a named driver you will have to write and ask to be taken off the policy.

Finally, bills for the former family home should be shared equally up to the date you or your ex move out. So, take meter readings and then change the account into a sole name.This can usually be accomplished either over the telephone or online.

Personal Possessions after a Split

Most couples can easily come to an agreement about personal possessions when divorce is looming. One partner may decide they don't want anything except books and music or they may decide they need some furniture (at least a bed) to start again. However, if deciding who gets what has become impossible and compromise is not forthcoming on both sides you should make a list of all items and try to come to an agreement by ticking them off in a civilised manner. Making a decision about dividing furniture and household goods may seen mercenary but as both parties have to begin new lives it is unfair for one party to have to buy everything when they move to a new home.

In general the law states that the person who purchased the item owns it and if it was bought as a joint endeavour the best option is to pay the person who leaves it for their share. Any item that has been given as a present belongs to the recipient so just because you paid for it you can't claim back expensive jewellery or a camera if it was given as a gift.

If you are in the fortunate position of owning some valuable items like paintings or a collection that is worth a lot of money, these should be valued and will go into the family assets that will be divided as part of the divorce settlement.

Child Maintenance and Pensions

Child maintenance is now a matter for the CMS to sort out and there is an agreed formula for how much should be paid. This is based upon how many days a year the absent parent takes care of the children and it is also salary based. There are allowances for travel expenses to see children and for those absent parents who are also responsible for another child or children of a new relationship.

if you can agree a figure between yourselves then this is the ideal solution and you can work this out by going onto the CMS website where there is a list of how the figures are made up. If you cannot agree then the CMS will make the ruling and will send a formal letter stating how much money per month is to be paid by the absent parent.

After property, it is usually pensions that are the biggest asset and these can be split between both parties if it is felt one partner has a lot more than another. There is also the case when a wife has stayed at home to raise children and may not have a large pension pot. In this instance the court can rule that some of the husband's accrued pension is transferable to the wife. All pensions except the government ones are taken into account and this area of the financial assets is fraught with many difficulties so it is best to consult either a solicitor or a financial advisor. Only a court can make a sharing order for pensions so if you can't agree this will be part of the financial agreement that is decided before the decree nisi is issued.

When it comes to divorce there are often no winners but if you can amicably agree about the dissolution of your finances it may help to prevent a lot of resentment. This is specially important when there are children involved in the separation. Those fortunate couples who do manage to divorce without any problems are few and far between. But, having a good understanding of how financial matters and possessions are split up will hopefully help both parties to make some good decisions when reaching the conclusion of the divorce.

CHAPTER 13

HOW TO ANALYSE AND PLAN FAMILY FINANCES

Analysing your family finances may appear to be a good way to evaluate exactly how much you have to spend each month but for many ordinary families this task can prove too difficult or to overwhelming to contemplate. It's is simple enough to look at typical amounts each month such as the mortgage or rent payment or the monthly amount spent on energy. But, when it comes to the small everyday items that can add to an overload of spending most people ignore them or do not understand that they should be included in the equation.

In addition, there are holidays to be planned for as well as possible larger sums needed for the replacement of appliances or for car repairs and these extras can soon disrupt even the most carefully planned budget. But, if approached methodically and in an almost ruthless fashion a good budget can help you to get to grips with your spending and maybe even lead to some savings.

It is easy to assess whether you are spending more than your earn. Are your savings being eroded each year or are you borrowing to pay household bills? If that is the case then you are overspending and need to sit down and work out where this is happening and how it can be addressed. A major problem with overspending can soon lead to even more debt which can in turn lead to family disputes or even separation. When you have sorted out what you can afford to spend you can make some changes to your priorities and this will lead to a successful budget plan that it achievable.

What Kind of Budget?

If you were to ask a typical family about what kind of budget they have you would probably get a different answer from each one. Most budgets only accommodate monthly spending on housing costs, food and utility bills. But, in order to draw up a successful budget you must include a year's spending and not just a month. And, for the long term you have to incorporate figures for replacement furniture, cars and holidays. Not to mention extra costs when children need uniforms and school trips. As you can see developing a successful budget is not a short term plan but is designed to see you through the next five years or more. If that appears to be too long a term then try to think ahead at least two years and imagine where you will be if you manage to reduce outgoings as well as paying off some household debts.

Think carefully about each category of a budget before assessing the amounts you need to allow. So, for transport costs you need to include everything from bus fares, train fares, air fares and the small niggling features of motoring like breakdown cover, new tyres and the annual MOT and service. Overspending can become a habit but you can break this down by cutting back on the obvious items like credit card purchases and on other less obvious items like the costs of childcare which can often be funded by childcare vouchers through tax credits. Knowing your entitlements as a family will help you to get all the benefits available to help you cut costs.

Just cutting back on the small items that you buy daily can help to save you money. This could include spending on coffee when you could take a flask or buying lunch everyday when you can choose a healthier option made at home. Items like magazines, sweets and cigarettes can soon add up to an overspend and you could achieve a healthier lifestyle by cutting these out as well as saving money.

There are two questions that can be applied before you decide to spend some money. Do I really need it? If the answer is No then don't buy. If the answer is Yes, then you need to ask if there is cheaper alternative than the one you want to buy. So, you may feel you need a choice of TV channels but can swap to Freeview from Sky and save a substantial sum each month on subscription fees. Holidays at home are another option and most people do not even know about the area where they live which can provide a wealth of happy days out at free museums, country parks or just going for a bike ride with a picnic. When you have small children this is always a better option that queueing at the airport and trying to keep them out of the hot sun because you have to take your holidays when schools are closed in July and August..

Of course, sticking to a budget may be only half the story and if you can de-clutter your house and sell off some unwanted items you can accumulate some extra funds to cover holidays or days out. Ebay is a great way to get rid of unwanted clothes and possibly unwanted gifts. Just because you don't want or need the item does not mean that someone else won't.

Starting a Budget

It may appear to be a simple task to put down in writing your income and expenditure but it takes a very strong minded person or couple to completely stick to a strict budget. Making a check on the bank account can give you a false sense of security as it only shows a glimpse of the total picture. So, don't be fooled if your balance looks healthy because there may be monthly payments due any day and if it shows an overdrawn figure you can be certain you have a problem.

Cutting down on spending is not the same as cutting back. Just choosing a cheaper option may appear to be saving but spending less than you earn is the only way to achieve an affordable lifestyle. Therefore, you should always look at what you can afford to spend on an occasion like Christmas instead of choosing what you want to spend. A budget planner that can be downloaded from the Internet is a sensible way to document all your spending throughout the year and this can then be divided up into sections for household expenses, holidays, car costs or whatever else you choose.

Having one bank account for regular monthly bills and another for larger expenditure on holidays etc is a good way to split your funds so that the money is always there for essentials. Then, when your wages go into a normal current account you can have standing orders set up to feed the other two accounts. This will allow you to effectively save for big occasions and not have to rely on a credit card to pay out a large sum when the time arrives. This method means that when you look at your account and all standing orders have gone you will get a real figure about what is left. And, when holiday time arrives if you don't have the amount you thought you would have you can cut down accordingly on spending.

Including the whole family in working out a budget is a good idea when children reach the age where they are able to understand the ramifications of spending too much money. It will help to teach them the value of things and create good spending habits that could help them in future years. It will also instill in them the understanding that not everything can be afforded at the exact moment when it is desired and that on most occasions the best way to achieve their wants is to work and save up for them.

Finally, if you still feel out of control and unable to set up a budget you can enlist the help of any number of websites that deal with money issues. Keeping a daily diary for a couple of months will also give you a good guide to all those extras that are eating away at your monthly salary. Coupled with a years worth of bank statements, a spending diary will give you the ultimate insight into where the money is going.

If you can take the opportunity to get a grasp of your finances you could find that at the end of the year you have some extra money to save, invest or to spend on something for the whole family. A financial health check and budget planning will also give you a feeling of control and can help to rid you of the stress and problems that so many families suffer due to overspending.

CHAPTER 14

THE DIFFERENCE BETWEEN SPENDING AND INVESTING

On the surface there is a great deal of difference between spending money and investing money. However, one common factor is that both these courses of action can lead to a growth in the economy. So, when is the right time to spend and when is the right time to invest your savings?

If another recession were to occur in the UK those who could be the worst hit are the families without any savings. Add to that the fact that many people still owe substantial sums on credit cards or personal loans and it looks like a recipe for disaster. Therefore, you may ask, why would anyone want to take on a long term investment when having some back up savings so important. And, why would anyone spend their money when reckless spending has led to so many families struggling to cope?

The best way to approach the issue of spending and investing is to look at the longer term and not just focus on the immediate demands of day to day living.If you can keep back just a small part of your salary every month it can have a massive impact on the future. By spending every penny you earn you are purchasing the material things in life that in the longer term will not make a big improvement to the quality of that life. But, by investing your savings in a long term project like higher education you will be taking a step that will allow you to have a higher earning potential. Investing in property is another example of how reining in spending can help you over a longer period of time as the price of a house will always increase and it will become a tangible asset even if the time period is longer.

Spending money on items that are only going to lose their value may be enjoyable at the time but when the latest PC or smart phone is ousted by another model you will be left wondering why you paid so much for an outdated piece of technology when the latest ones do so much more. Chasing technology and material objects like a new car will result in a situation where you are always playing catch up.

Bearing in mind this information it is always a good idea to seriously look at every large purchase with a view to how much return you are going to get from it. In this way you can make the most of your earnings and by investing in longer term goals you can help you to improve your lifestyle in the long run and also help to accumulate more overall wealth.

Consumption Spending and Spending for Investment

Although most financial experts will always advise you that cutting down on debt is the single most important factor in stabilising family finances there is another aspect to the picture. Yes, you should stop spending merely to acquire the fastest car or a top notch PC but there is also a case to be made for spending on investment for the future. If you are lucky or clever enough to have saved a pot of money you can use the funds to invest in a asset like a bond that will pay you an income either now or in the future.

In the distant past when interest rates were very high it was almost obligatory for anyone taking out a mortgage to acquire the highest amount of loan possible. As the house was sure to increase in value and any extra savings you had could be invested in an account that was paying good interest, this meant that in the long term you would gain more than you would lose in mortgage interest. Whilst the government at that time was also allowing tax reductions on mortgage interest payments, the situation appeared too good to be true and many people benefited from this type of investment which is sadly no longer available.

In recent times, however, house prices have not been on the increase and savings accounts pay little or no interest and this has led to many people wondering why they should not just spend and that investment will bring no benefits. The truth is that in the long term investment will always bring results. Many graduates can testify that their career potential has been increased because they loaned money to fund a university education. And, as interest rates on student loans are very low this has proved to be a good investment opportunity. So, although the prospect of a large debt may appear to be overwhelming, in this case, it can, in the longer term, prove to be a case of responsible borrowing. In general the rule about not borrowing money to invest is a good one but in the case of education it is the exception that proves the rule.

Are Governments Spending More and Investing Less?

There is a subtle difference between spending and investing. Both require the outlay of money but investment will have far better returns. In the case of social spending by the government, the outlay on pensions and benefits is necessary and even vital but from the state's point of view it does not bring any return other than to maintain the population in a compassionate way. Where governments are investing in people is in the education system and the infrastructure that allows workers to have easy access to transport and cheap goods.

When the population of the UK was predominantly young there was a large investment into schools, hospitals, housing and roads. Now that the UK has an ageing population the state spends a greater percentage of taxes on social security, medical care and pensions. After the recent financial crisis many governments have implemented austerity measure that have had a big impact on the spending that has no rewards. The UK has had to change the policy of more spending and less investment and is making a radical change in its approach about how taxes are used.

When an economy like the UK is in recession there has, in the past, been a tried and tested way to improve matters. Pumping money into the economy and inviting people to spend more on consumables has usually resulted in a boom in growth but eventually that system will grind to a halt. Once everyone has borrowed to their limit there is only one way out and that is to rein in spending and pay off debts.

The current government has implemented this approach but is also trying to use investment in schemes like apprenticeships and work places for the young in order to deal with the problem in the long term and in a bid to reduce the unemployment figures. Not all investment brings a monetary return and investing in people is one area where the rewards should eventually help to improve the economy of the UK. Using the old adage about teaching a man to fish instead of giving him fish is an excellent metaphor for how the state is approaching ways to improve the economy in the long term.

So, whilst it appears we are pre-programmed to grab what is available at any one moment in time, good financial practice can be learned. This can lead to a longer term outlook that will lead to better times. Explaining about deferred gratification may appear to be boring and it does not give you what you want exactly when you want it, but ignoring the tempting advertisements and focusing on a longer term goal will certainly give most people a better future. You will achieve a healthier bank balance and more satisfaction with your overall lifestyle. Looking at each purchase as a means of investment instead of spending can change your outlook on life for the better.

CHAPTER 15

FAMILY FINANCES AND PENSIONS

Most experts agree that within many families in the UK there is a lack of personal knowledge about some areas of finance. Although most people understand about the basics like how much it costs to send a child to university or how to approach savings and mortgages, in the area of pensions there are few people who know how much they will need to put by so that they can receive a pension that will enable them to have a comfortable retirement. In view of the fact that in the not too distant future state pensions will not be available until much later in life and that they will be the bare minimum of what is needed to live comfortably, this lack of knowledge is going to leave many people having to continue working after retirement age or living a retired lifestyle that is cut to the bare minimum.

When asked how much they would need to save in order to achieve a pension of around £25,000 per year, the majority of people were way off track and underestimated the sum needed by some hundreds of thousands of pounds. However, most people were aware that they were not putting enough money aside for pensions but felt unable to save any more due to their current circumstances. Making a regular review of pensions could help many families come to terms with the urgency of looking ahead to when they retire and to take the appropriate action.

How to Make the Most of Pensions

There are plenty of ways that you can boost your pension.And, savings that are part of pension pots are more tax efficient that other types of savings accounts. For anyone with a work pensions there is the added bonus that your employer may match your extra savings and those who pay the higher rate of tax will receive tax relief on contributions. People who have a personal pension can also have a say in how it is invested and there is now a wide range of funds which offer different levels of risk and reward. The earlier you start to save for a, the sooner the pension pot will grow and as the money will be invested over a longer period of time it will be able to withstand the ups and downs of the markets without suffering a catastrophic fall just as you are about to make a claim on the fund.

Anyone who is below the age of fifty can afford to take a higher level of risk with the investment of the fund than those aged over 50. However, if you are conservative by nature there is always the option to retain the fund in the safer areas of investments like bonds. You can transfer a personal pension fund into a SIPP (self invested personal pension) but unless you have a lot of experience in investing money you could fall foul and see lower returns with higher charges. If in doubt it is always better to use an expert to invest your pension funds.

Those people with a work pension fund do not have to worry about how it is invested and employers will always try to get the best possible returns. But, if you have any other kind of personal pension it may be that there are charges that will reduce the value of the pot so these should be looked at before you consider going into a SIPP.

If you have worked at several different companies you can also merge your pensions which makes it easier to keep track of them and you could also save money if one fund has lower administration charges than another. Before moving from one scheme to another it is always wise to get professional financial advice so that you do not lose out. Also, be aware that when you do make the transfer there could be a high admin charge so make sure that it is worthwhile before moving the money.

The Benefits of Working after the Standard Retirement Age

Many older people have decided to carry on working after retirement age and this can bring several benefits. Of course, it will depend upon what kind of job you have whether you can carry on and if your work is of a physical nature it may not be possible to keep working in the same area. However, there is also an option to change to a more sedate job and still receive a wage that will enhance your lifestyle and help to keep your outlook young.

Most older people who have chosen to carry on working after they have reached retirement age point out that it gives them an interest in life and encourages them to interact with others and possibly with people who are lot younger. There is also the fact that working prevents older people from becoming lonely. But, how does working after retirement affect your pension and your tax position?

Any money that you receive for part or full time work is counted as taxable income. HMRC adds up all your pensions, both work, private and state, and any other benefits you may receive. If the sum exceeds your taxable allowance for the year you will be taxed at the usual rates. There are no National Insurance payments to be made after retirement age and people over the age of 65 are allowed a higher tax free allowance than those still of working age.

The government has put in place some financial incentives for those people who want to carry on working after they reach retirement age. One of these incentives is to defer your pension for up to five years. A deferred pension can be added to the weekly sum when you do make a claim or it can be paid as a lump sum when you decide to fully retire. There is also the option to start deferring even if you have already started receive your pension but then decide to go back to work. Retirees are fully entitled to the national minimum wage for any paid work but be aware that paid work can also affect any state benefits that you are claiming.

If you decide to retire to a foreign country you should take into account that unless there is a reciprocal agreement between the country where you will live and the UK, your state pension could be frozen at the sum you receive when your leave and you will get no annual rises. All EU countries have the reciprocal agreement and there are some others like Jamaica, Turkey and the USA where the annual pension increase will still apply. There is a full list on the government website www.gov.uk.

Cashing in Pensions

Until recently the state of the pensions savings for people coming up to retirement was not a major concern. However, in the last few months there has been a worrying trend with many older people cashing in their pension pots in order to pay off debts or to subsidise a deposit for their child's first home.

With the high amount of household debt that was built up before the financial crash there are now larger numbers of older people who feel that they have no option but to cash in their pension. This allows them to pay off the mortgage or personal loans that were accumulated during the easy credit era of the 1990's and early 2000s. The pension reforms that were put into place in April 2015 have enabled thousands of people to access the savings that they had earmarked for retirement and these savings have been used to pay off credit cards and other large debts.

Figures received from pension providers show that paying off debts is the number one reason for accessing a pension fund and the second reason is to give some money to children as a deposit to buy a home. With many people still in homes that are lower in value than they had hoped, the option of obtaining a large lump sum is proving to be irresistible. However, experts agree that if possible you should try to clear debts in another way. For credit card debt the option of getting a 0% interest card for a limited time can help to clear the debt and if you are still working you can try to up your mortgage repayments to help clear an outstanding sum. If you can get the right price for your home then downsizing is another option that could be the solution to household debt. Money experts believe that all of these options are preferable to cashing in a pension fund.

Finally there is sometimes a choice of going for an equity release to get funds from your home instead of drawing a large amount from your pension fund. This option should be carefully researched and you should always use a reputable financial advisor before taking equity from a home that has been fully paid for.

The freedom to do what you will with pensions may appear to give older people more choice but before choosing to spend your hard earned pension funds it is always wise to first look at the alternative options. With most people underestimating how much it will cost to live in the future you will need as much money coming in as possible so don't be tempted to squander your pension fund at the first opportunity. Sound financial advice will enable you to take the necessary steps to achieve a comfortable retirement with enough money to live on.

CHAPTER 16

PLANNING FOR A BETTER FINANCIAL FUTURE

The budget policies put forward by the government and which are in the process of being implemented are in place to enable families help plan a better financial future. The actions of raising the personal allowance for income tax to £12,500 and creating a higher threshold for 40% tax payers will allow more families to have more money in their pockets. In addition, the hold on VAT increases and national insurance will also help to make most families better off in real terms. Where property is concerned there will be a higher Inheritance tax threshold and this means more families will be able to pass on their property and prudent savings to their children. All of these policies will help ordinary people to have more control of how and what they spend and will also allow them more freedom in planning their finances.

The new rules for pension schemes that allows you to have greater freedom regarding your pension fund means that some families will choose to invest in possible high risk ventures whilst others will settle for safety and a lower return. The government is hoping to create a situation where ordinary people are more responsible about planning for their financial future by giving them more freedom of choice. Additionally, there is a plan to create 3 million apprenticeships for young people and to encourage an environment where everyone who wants to work will be able to get a job. If these plans are successful then the financial future for the citizens of the UK and the country will be set on a course that will create growth and a much more stable economy.

Financial Planning for Education

Starting a financial plan for the education of your children is now a priority for many parents even if they do not send their children through the private schooling system. Most families now recognise the fact that costs for a university education are going to be in the tens of thousands so starting an education fund as soon as a child is born is an excellent idea. By saving even a small sum on a regular basis you can soon build up a substantial sum to help your children through their educational life. Putting a sum of £50 a month into a normal bank account would achieve a fund of around £10,800 plus interest by the time the child reaches 18. This is a safe option but there are other ways to save money that would deliver greater returns.

A share based investment trust for the 18 year period would return around 70% more (based on the last 18 years figures) and a global growth trust could return as much as 300%. However, these figures could also be lower and this kind of investment does have some risk to the capital. You must also take into account which kind of trust makes the lowest charges for administration as this can markedly reduce the returns. There is usually an annual admin fee but if you go through a broker this fee could be more expensive.

A regular savings plan is often a good choice for parents who are unable to put up a lump sum and the long term of the account will mean it is less vulnerable to sudden changes in the markets which could affect the amount of return. There are many investment trust providers who specialise in accounts for children and one good option is to spread the investments across a range of accounts. One of the smarter ideas is to go for a plan that allows you to buy more shares when they are cheap and less when they are more expensive.

Many investment trusts for children will allow you to put as little as £25 per month away and once you have started this will soon become a habit and you will not miss the money. Children are not allowed to hold shares until they are 18 so the account must be under the control of an adult. One way of setting up an account is to have it in your own name so that you pay out any expenses yourself but in this instance the funds will be taxed. Alternatively, you can set up a trust in the child's name but with yourself as the trustee. This option allows you to fully manage the account but it is taxed as your child's money. Whichever option you decide upon you can be sure that investing for the education of your children is an excellent way to ensure a better financial future.

Acquiring a Secure Financial Future

Planning for a secure financial future is a skill and it requires a lot of forward thinking if you are to ensure your future after retirement. Many people are now far worse off financially than their parents ever were and a lot of people do not really give any serious thought to how they will cope financially later on in life. As the state pension is set to be paid at a later age and government funds will have to keep a lot more people, it is now more vital than ever to set the scene for a more comfortable future after retirement. And, although this may seem to be a real challenge it is not impossible to develop a plan that will secure your financial future.

Prioritising your plans by paying off debts as soon as possible will reduce the amount of expensive interest payments. Taking out adequate insurance is another important factor in good financial planning and this will make certain that your family will be protected should the worst happen. Don't concentrate insurance solely on the main breadwinner as if the stay at home parent dies then the remaining partner will need to pay for child care. Insurance for ill health should also be considered as this will prevent the loss of savings if you take a long period off work.

Looking at your current monetary status is also a good way to see whether you are on track financially. Check current savings including pension funds and if possible increase contributions to the maximum amount. If you feel that your plans are not substantial enough you can ask for guidance from a financial planning expert or consult one of the many money websites on the Internet. Try to stick to savings goals and make some small changes that will help you get a better return for your money. This could be investing small sums into the safest stocks and shares ISA which is tax free. Keeping up a regular review of your financial position will also enable you to make changes as and when required.

The prospects for receiving a decent amount of money to live on after retirement have never been worse. So, unless you want to spend your later years looking for bargains and being unable to afford the heating in winter, now is the time to look towards achieving a better financial future. With everyone living to a greater age there is a real prospect of spending at least a third of your life living on pensions. This means that you are never too young to start financial planning for the future.

Young people in their twenties should try to avoid building up debt and make some savings in an ISA or other tax free account. By the time 30 arrives you should make sure that you are in a decent pensions scheme either at work or in a private capacity and start to look at longer term investments. People aged in their 40s are usually at their peak earning power and this is the time to look at consolidating savings and making the highest contributions to a pension fund. And by following these timescales, when you reach 60 you may be in a position to think about paying off your mortgage and clearing any outstanding debts. At this point some financial advice about what kind of pension to take is also a good idea.

Good forward planning of financial matters means that when you retire you can be in a position to enjoy your life without having to scrape along looking for bargains or even to keep working to pay household bills. Although you may feel like living in the moment it is never too early to make some plans for your financial future so start today to organise your finances and look forward to enjoying a longer, happier and healthier life.

CHAPTER 17

EXPLAINING BASIC FINANCIAL TERMS TO YOUR FAMILY

There are many money websites that offer advice about financial matters. However, if you want to equip your family with some essential and useful information about handling money you can start by explaining some of the basic terminology that sometimes creates a mystique that can easily put off the most enthusiastic learner. Simply by explaining about different types of loans like mortgages or personal loans and how credit cards work can help to give your young family a good grounding in financial matters. But, where to start?

On the surface it appears that there is a taboo in the UK about discussing financial matters with children. This could be due to the typical British reserve or merely be happening because we want to give our children a childhood that is free from worry. However, teaching your children the basic terms that are used when dealing with money will put them in a better position when they are old enough to leave home and strike out on their own. In addition, if you have any bad financial habits yourself it is very easy to pass these on so coming to grips with financial terminology is also a good way to gain a personal understanding about how money and finance works. Of course, it is very important to teach children at the appropriate age but by starting young with simple concepts like saving and spending you can soon instill some good monetary habits into your family.

Whilst the government has now added financial lessons to the UK educational curriculum, your children can learn about financial terms from you and gain a good understanding well before they come to a point where they may need a loan or a credit card. Understanding the terminology that surrounds financial matters will also help to give children a responsible attitude to earning, spending, borrowing and generally managing money.

Savings, Budgeting and Planning Explained

Explaining the basics about savings can be started at an early age. Even children as young as six can understand that saving something for later might be a good idea. You can easily help your child to grasp the concept of saving putting aside one sweet everyday which shows that this will result in a bag of sweets at the end of the week and once they have seen how the system works it can be applied to pocket money. If you start the basic financial lessons early enough you will be doing your child a great service that will be very useful later in life.

In a similar way explaining how to divide money up into separate piles to buy different objects is a simple way to explain the term of budgeting. In this way your child will learn to differentiate between the money that can be spent now on whatever they want and the money that can be put aside for a particular means. This could be to pay for a regular purchase of something collectible or to pay for something special like extra trips to the swimming pool or whatever they enjoy most. Or, you can use the term when explaining that this is the way to pay for a holiday. Teaching your child how to budget their spending money will help them when they leave home and have to contend with budgeting to pay for several different regular monthly bills.

Financial planning may appear to be a huge concept for a child to understand but it can be taught to younger children. One aspect of financial planning is to teach children the difference between needing and wanting. If you explain how many hours you would have to work to buy the latest smart phone or tablet you can make them understand that you are not saying no because you are being mean but because at this moment in time there is not enough money freely available to buy the item. Then, explain that financial planning can help by allowing them to have the tablet or phone at a later date. Or, if you think that the item in question is not worth the money, explain about how advertising and marketing can appear to make something better than it is in reality.

Understanding about Credit, Loans and Debt

Teaching children about credit is one of the most useful life skills you can impart. Your child may see you pay for groceries or larger items with a credit card and this is a great opportunity to explain how these cards work. It is important that your child understands that using a credit card is like using someone elses money and that it has to be paid back with extra interest. So, take the time to explain the difference between a credit card and a debit card and impress upon them how much more it will cost to use the money if it is not paid back straight away.

In a similar way you can teach children about loans by letting them borrow money for a large purchase but insisting that they pay you back in regular amounts each week or month. Allowing children to get 'off the hook' for money they have borrowed is completely wrong as this will give them a skewed view about borrowing money.

You can also explain about debts and the difference between owing money on a mortgage and building up lots of debts just because spending has gone out of control. Show your child the mortgage statement so that they can understand how it is possible to buy a home but this will also makes clear the fact that the money must be paid back each month. Leading by example is a great way to teach children about finances and you can instill in them the need to work o buy items by insisting that they do some jobs to earn their pocket money. Even a small child of around 5 can help to clear up toys and tidy up clothes instead of leaving everything on the floor. In this way you will help you children to become more self reliant and to have a good understanding about how money works.

Taxes and Investing

Explaining about how taxes pay for the services we take for granted is probably best left until children are around 12 or older. But, this is another area of financial terminology that will help them to understand that nothing comes for free. You can talk about how the taxes you pay out help towards building schools, roads and even pay for the streetlights in your road. You can also explain about how VAT is added to luxury items but is exempt from basic necessities. In addition, this would be a good time to differentiate between income tax and the other forms of tax like VAT and council tax. Once children understand that everything has a value and that part of that value is tax that goes to the government they will be well on their way to having a good grasp of how the real financial world works.

When children are at this age you can also explain about investments and how this is a long term way to increase your savings. By speaking about companies they have heard of like Samsung or Apple you can apply a lesson that they will understand. Explaining how investing in a company that makes their favourite smart phone will help them to learn that the money they have paid for their phone not only goes towards its manu facture but also goes to the people who have invested in the company.

If you have involved your children in discussions about finance from an early age it will become second nature to them to discuss any questions they have about how the world of finance works. When the time comes for your child to leave home and strike out on their own you can be confident that they will understand how to be financially independent and not fall into the trap of building up large amounts of debt.

CHAPTER 18

DEBT TOPS THE LIST OF FAMILY PROBLEMS

Around two years ago a survey showed that over half of families in the UK were struggling to keep on top of their monthly bills and to pay off their debts. In comparison to 2006, this was a rise of around 17%. The effects of the financial crisis were in full swing and families were putting debt at the top of their list of worries both at that time and for the future. Many people were concerned about reaching the next payday without running out of money and this was evident to shopkeepers who could see a distinct loss of revenue as the end of the month approached. Families in the North West suffered more than some other areas but almost all families interviewed stated that they were unable to make any savings at all each month.

The results of this survey also showed that this lack of available cash meant no money was being put aside to cope with emergencies and this was attributed to the the drop in real income that had been experienced by many working families. Add to this the fact that the era of easy credit had come to a halt and it is no wonder that so many families felt burdened down by unpayable debt. After a long period of easily available cash it had become almost impossible for them to stick to a budget and with rising costs of food and energy plus the urgent need to pay off credit cards, a lot of families were really feeling the pinch.

The Recession Years

As the financial crisis started to bite in the UK many families experienced their most challenging times with redundancies on the rise and house prices falling. Once you added in the equation of serious debt it became apparent that this was going to be a bumpy ride for everyone. Facing up to how much debt you have is easier said than done and the trick is to meet the situation head on. Those people who had good credit scores could change to a cheaper credit card or lower rate mortgage to help them pay off what was owed. But, what was in store for the poorer sections of society with a bad credit rating, falling income and a load of debt? In these instances many families resorted to lending money over a short term at high interest rates. Unfortunately this often led to even more debt which remained a serous concern for everyone in the family.

There were many articles written about how to lower debts by budgeting, moving a mortgage or shopping around for the best deals on energy prices but for many poorer people these were not offers that were available. Add to that the concern about becoming unemployed and it became clear that debt management was just a pipe dream.

How to Deal with a Debt Crisis

If your family is struggling to pay all the monthly bills and the minimum amount on credit cards or if your annual indebtedness is more than you earn, then this really constitutes a debt crisis. However the situation has arisen, there are still ways to deal with this and to get back on track.

The first step is to seriously reduce your spending and this means taking a hard look at exactly where the money goes. Looking at the big picture is an essential element of reducing spending as even small amounts will soon add up. However, dealing with debts requires a more disciplined approach than just saying you will cut down.

You can never borrow your way out of debt. Despite this old adage there are some ways to reduce your debt if you can change credit card supplier or switch to a cheaper mortgage. For those who are unable to have access to these options because of a poor credit score there are other ways to cope with large amounts of debt.

Large families should always check to see if they are getting all the benefits to which they are entitled. Similarly, party time workers can claim tax credits and there is a whole raft of child care facilities provided by the government which could help a stay at home mother to get some work to help with the family income. There is also a government scheme that will help with mortgage payments so that repossession of the family home is not threatening. Additionally, you could be paying too much in council tax or even income tax so check every aspect of your outgoings and income. If you have paid bank charges in the past sometimes these can be reclaimed as can PPI for loans and bank account fees.

Try to negotiate with creditors so that you get some leeway when repaying debts. Most creditors would rather get paid back even it if takes a longer period of time and many will be able to offer a more reasonable repayment plan when approached. There are also some local councils who offer support schemes for families who are really struggling with personal debt. And, there is a government scheme that provides interest free loans for clothing and furnishings. The repayments will depend upon personal circumstances. Free debt counselling is another option that can help you to deal with your debt crisis situation. The non-profit organisations will help you to negotiate with creditors and can also help to stop you being harassed by debt collectors. Citizens Advice is a good place to start and there are also other agencies like the Debt Advice Foundation and Christians Against Poverty. Don't go to commercial businesses which will make money from your debt problems.

Finally, it is important to remember that you are not alone in your problem. There are many websites with forums where people in debt can post their thoughts and get support throughout the whole experience. At the end of the day there is always a way to get out of debt and if it comes to it you can choose to apply for a bankruptcy order. Whilst this may appear to be an extreme measure many people who have chosen this route will go on and start their lives again debt free and much wiser.

Will Family Debt Getting Smaller in 2015

New research shows that twice as many families believe that their debts will get worse during 2015 than those who believe they will get better. 20% of people interviewed were of the mind that their financial state would get tougher and this was due to worries about inflation, less pay increases or a pay cut and the remains of household debts which were still owing. Many families are still using credit cards to top up their income and the amount

owed on cards is slowly creeping up once again. Likewise personal loans are still being taken on and at the same time the small savings that were being made have declined.

Instead of putting money aside into an ISA or other safe haven, families are still spending even though they are attempting to cut back. Contributions to private pensions are also lower and in general many families are expecting a very bumpy road up to the end of the year. With only half of the families interviewed having a small amount of savings to cushion the blow against emergencies, many complained of feeling very insecure about the future.

As usual there are variations between the regions for wealth and spending habits with Londoners and those living in the South East having a greater amount in savings than families in Wales and this is probably because they earn more and therefore can afford to save more. On the other side of the coin those living in London and the South have higher costs of living and may be compensating for the time when they could lose their jobs. So, Londoners have the most savings but property prices are much higher and these families are often left feeling just as exposed to debts as in other regions.

Other reasons for the low expectations of families for 2015 are the possibility of interest rate rises which would make mortgages more expensive and the extreme costs for higher education.This has forced many families to reassess their savings and to concentrate on budgeting for university fees in the future. The low rate of interest has also led to less repayment of debt as lower interest on any savings means another reason for lower incomes.

Overall the outlook for families in 2015 has not been good. With new rounds of austerity measures coming soon and unemployment still not falling as forecast the expectations of family debt being reduced during the rest of the year are quite small.

CHAPTER 19

IS THERE A PROPERTY AFFORDABILITY CRISIS IN THE UK

The basis of buying a home in the UK comes down to affordability. That is the question that should be thought about before you even consider looking at houses. In order to prevent overstretching your budget you should look at all the relevant factors and extra costs that go towards making it possible for you to get a mortgage to buy your own home. These include moving and refurbishing costs, how much money you need to have as income, what kind of mortgage will be the best and whether you have some savings or a family member who can help out. There are several other factors that should also be thought about carefully such as whether you are happy to take a risk or want to be certain that you will never be in a position of having your house repossessed.

Thinking about all of these factors before you look for a home will enable you to see all sides of the argument about whether to go for the biggest house possible or to settle for something smaller and more manageable in costs. An overall budget needs to be worked out which includes your savings and current indebtedness and all monthly income. The amount of mortgage you will be able to borrow will depend upon how big a deposit you put down, any outstanding debts, your income or joint income and the stability of your job.

Other matters to consider are estate agents and conveyancers fees, the cost of actually moving your furniture and household goods and any repairs that need to be done before you can move in. Additionally, there could be stamp duty to pay of the price of the house is over the current limit. The amount borrowed should not exceed 3 times your annual joint income and it is always wise to take into account possible interest rate rises if you are taking on a variable rate mortgage loan. Other essentials include insurance to cover ill health and death as well as household insurance cover for buildings and contents. In addition, you should do an estimate of the annual energy bills as many older homes cost more to run than new properties. If all of these considerations make it appear to be impossible to borrow the amount you need you can apply for government help which is available to first time buyers. But, remember that it was over-borrowing that led to the severe financial crash and decline in house prices after 2008 and that these days affordability is the watchword amongst mortgage lenders.

Young Home Buyers

Due to the low amount of affordable housing in the UK many homes have now become unaffordable for potential young home buyers. In addition, as rents have also increased young couples now find themselves on a double edged sword where whether they try to buy or choose to rent the result is that their housing costs are too high. The Royal Institute of Chartered Surveyors has indicated that in the short term both the price of houses and the costs for renting will be more than the future increase in wages. Predictions are that prices for buying and renting will rise by 3% during the coming year and by as mush as 4.8% in the next five year period.

The demand for houses throughout the UK has risen except for the South East area which has reached a point where hardly any ordinary family can afford the high prices. As mortgage interest rates are still low, the increase in demand is not surprising but mortgage approvals are still down as lenders are demanding a higher deposit and are applying stricter criteria for the eligibility of borrowers. It would appear that for older buyers the case for staying put is more financially appealing than moving especially when you take into account costs like stamp duty and removals fees. However, for young buyers the affordability of buying a home of their own is becoming increasingly untenable.

First time buyers are being kept out of the property market and new figures show that young people are in a position where they need to earn double the average salary just to buy a new starter home. The average price for a new starter home is now £211,000 and if a deposit of 17% is put down this still means borrowing £175,000 which for most young adults is an impossible figure. It would need a salary of at least £39,000 and even that would be stretching the bounds of affordability as they would be committing to borrowing an amount that was 4.5 times the amount of the salary. It is unlikely that any reputable lender would agree to these figures and this has stopped a lot of younger people from buying their first home.

Finding a large enough deposit is one of the most difficult aspects of buying your own home when you are young. And, although there are some lenders who are offering lower deposit deals as prices are on the increase, it is becoming impossible for younger member of society to get a step onto the housing ladder. In fact, the latest research shows that first time buyers are now typically aged 31 as opposed to aged 28 which was the figure for 1995. The stricter controls that were put in place after the financial crisis have been responsible for some of the problems faced by young buyers but there is also a lack of suitable properties and the ongoing high prices of homes that have created the property affordability crisis in the UK.

The Generation Gap

Whilst young people in the seventies, eighties and nineties had the expectation of being able to buy their own home, there is now a question about whether the current generation of youngsters, or even their children, will ever be able to afford to buy a house. Although there are some one bedroom properties that can be purchased for around £105,000, many of these are on retirement complexes and are not for sale to young people. Fewer properties priced at under £250,000 are on the market so the only people who are moving are those who are already home owners and they are moving to a larger house or choosing to downsize. In most areas of the UK it is difficult to get a suitably priced two bedroom home and this situation is even worse in popular commuter belts where house prices are at a premium.

The homeless charity Shelter has published details of 35 areas in the UK where there are no homes that are affordable to buy for families living on a salary of around £35,000. And, for younger buyers the situation is even worse as they are unlikely to be earning that kind of money until they reach their late twenties or thirties. This first time buyer crisis means that many families will spend a lifetime renting property and will never build up any assets to pass on to their children. What is needed is some serious investment in affordable housing if the latest generation of young people is not to lose out on the chance of becoming homeowners. Demand for houses is on the increase but it is the lack of supply of affordable homes that is causing this blip in the market. So, what is to be done?

Young people are now relying more on family assistance to get their home ownership start in life. Some parents who have enough equity in their home are borrowing so that their children can have a large enough deposit to secure a mortgage. However, this is putting the burden on the very people who should be considering retirement. Longer term mortgages are another option with many new buyers signing up for thirty year term loans. The problem may also get worse when the Bank of England finally makes the decision to increase interest rates. Cheap deals will vanish and as costs will increase it will make the option of home ownership even further out of reach for many young people.

The only option open for some young people who are wanting to get started with buying a home is to move to a location that is cheaper and this means moving away from family and friends. House prices are moving up too quickly for young people to match the increases and whilst there have been some government measures to help first time buyers, this has not stopped the pressure from rising.

Shelter has stated that there are not enough new homes being built and that the shortage amounts to 100,000 per year. The mismatch between demand and supply is such that some young people are now opting to buy almost derelict properties in run down areas just so that they do not have to continue to pay rent for the rest of their lives. With rents at record levels it is also proving very difficult for anyone to save the necessary deposit to get a mortgage and even when saved, the amount of deposit is often outstripped by the next price increase in property.

Some young people have now had to accept that they will never be in a position to buy a home and are resigned to renting. So, unless there are enough parents out there willing to make a large sacrifice and come up with the money, this generation of young people appears to be the one that will never become part of the property owning masses.

CHAPTER 20

MANAGING THE FINANCIAL AFFAIRS OF AGEING PARENTS

As people are living much longer than in previous generations there are now many families who find themselves in the position of looking after ageing parents as well as the rest of the family. This in itself is a difficult situation but when you add in the fact that some older people may also need help with paying bills or assistance with other financial matters it is useful to understand what you can and can't do regarding other peoples money.

If you are concerned that one of your elderly parents is getting forgetful or is otherwise having trouble managing day to day finances, that is the time to step in and help so that they do not make any costly errors, become subject to any fraudulent transactions or get duped by strangers into giving away their money.

There is also the situation where your relative may suffer from physical problems which means they are unable to get to the bank to settle their bills or draw out money. Additionally, many older people get confused when confronted by too many options for savings or they may have their money invested in an old account that pays no interest and are missing out. In any of these situations there could be good reason to offer your help with their finances but as long as they are mentally capable your role at this point will be to offer advice only.

Another situation that could arise when elderly parents may need help with money is when they are in hospital or recovering from an illness. Day to day help could involve paying bills, collecting a pension payment or organising paid home help. So, how to you approach these problems?

Dealing with Banks, Benefits and Allowances

The most important point about dealing with banks is that if your relative gives you a PIN and asks you to withdraw money on their behalf they will be in breach of the terms and conditions of the account. Likewise if you operate Internet banking transactions on their behalf it is technically a breach of contract. But, there are a number of other ways you can help to take away the burden of dealing with finances.

The first option is for your parent to ask the bank to allow you to operate an account with a third party mandate. Once this document has been signed you can ring the bank and ask questions about the account, make enquiries about statements and generally operate the account as if you were the owner. The alternative is to set up a joint account with your parent so that regular bills can be paid and this will allow you to manage the money online which can save you a lot of time. One thing to bear in mind, however, is the implication for tax if there is a large amount of money in the account.

One of the smartest ways to help with money problems is to make a date once a year to sit down and discuss financial matters with your parent. In this way you can help them to get the best deals for interest on savings and ensure that they are not paying unnecessary bank charges. Investments should be regularly reviewed and many elderly parents forget this and keep money in bonds that are not giving a good return. If this is the case you can make an appointment with an independent financial advisor who will be able to suggest alternative options.

Instead of queueing up for a pension every week or month, the better option for older people is to have their state pension or other benefits paid directly into a bank account. This means that direct debits can be set up for all the utility and other bills that are paid on a regular basis so that no one has to stand in line at the Post Office or bank to pay the bills. Some utility companies will allow a third party to speak for the account holder and when this is set up you can ensure that they are getting the best deal for telephone, gas and electric services. If it appears that switching to another provider will give a better deal your relative will need to agree to the swap and to sign for this themselves.

Thinking Ahead and Making Plans

Although it is not a pleasant thought, many older people will eventually suffer from dementia or Alzheimer's disease and if this situation arises they will not be able to deal with financial matters. Whilst you do not want to take away any independence from your parents, having 'the talk' about the future while they are still capable of dealing with financial matters can help to prevent problems later on. This is also the case if your parent has a debilitating and progressive disease that is only going to get worse.

The first thing to do is to make a list of all the banks, building societies and other organisations that they deal with and write down account numbers and customer reference numbers. Make sure that you know where paperwork is kept and that you have a full understanding about their wishes regarding savings and investments.

Although most people do not want to dwell on a time when they may be unable to cope with money matters, it is a good idea to ask your parent to consider setting up a Lasting Power of Attorney. This is a document that can be registered for financial and property matters or for health and welfare. If you are registered as the Power Of Attorney for your parents affairs and they become mentally incapacitated you can deal with banks and any other financial organisations on their behalf. However, it is important to understand that this will only be allowed to be activated if the person does not have mental capacity. Therefore, even if you parent is in hospital, or is blind and housebound, as long as they know what is going on you cannot activate the POA. A Power Of Attorney document can have more than one attorney registered to deal with financial and welfare affairs. Once activated the appointed attorney can manage day to day financial matters, pay debts, apply for benefits and buy or sell property on behalf of the donor.

If there is a point when your parent is incapacitated for a limited period of time an ordinary Power of Attorney can be set up. This can be revoked at any time but can be helpful if the parent is in hospital after an accident and cannot get around until recovery is complete or it can be useful if they go abroad for a long period.

Formal or Informal Financial Help for Parents

The choice between giving formal help or informal help with financial matters for parents will be down to both your and their estimation of how capable they are feeling. For a parent who is suffering financial problems due to unpaid bills or large debts, informal help may be the answer to get them back on track. In these circumstances the third party mandate may be a good option or a joint account that has been set up purely to pay the bills.

If pensions are paid into the special Post Office account it is possible to have a separate card for named person who can then withdraw money from the cashpoint and check the balance. Informal help could also consist of the Ordinary Power of Attorney which can be revoked at any time. Informal help with finances is designed for those who need help for a short period of time and it is not a long term solution.

Formal help with finances for parents who need long term assistance to manage their money is often the best option. But, remember that a Lasting Power of Attorney does not come into play unless the donor has absolutely no mental capacity. So, think about setting up a joint account, set up direct debits for bills and regularly review their options for savings.

Looking after the finances of an ageing parent or relative is a great responsibility. But if it prevents your parents from being exploited by fraudsters, becoming heavily indebted or losing out on investments, it is a step that should be seriously considered sooner rather than later.

CHAPTER 21

FINANCIAL AFFORDABILITY FOR ARMED FORCES FAMILIES

Families who are part of the Armed Forces often have special considerations and problems with finances that do not apply to civilians. The prospects of injury means that members of the armed forces need more insurance protection to secure the financial future for their families and although there are payouts from the government in the event of injury, most families pay extra for more substantial cover. Veterans also face monetary problems and there is a range of benefits and allowances applicable for those who have left the forces and who may be struggling to cope in the civilian life that follows.

Whilst some armed forces personnel will be able to get the insurance cover they need, many face the fact that some insurance companies feel unable to offer cover because of the higher risk factor. The Ministry of Defence can recommend a special scheme offered by the insurance giant AIG that covers those personnel who are going to be deployed in dangerous areas. However, other companies will often not consider those about to be posted to Afghanistan or Iraq. So, armed forces personnel who want to take out a mortgage with a life insurance policy attached would be better to do so before they are considered for deployment to these areas.

The MOD pays out compensation to the families left behind of those killed in action and also provides a pension for widows or widowers. However, life insurance or even better health insurance cover is often felt necessary so that in the event of death or disability there are sufficient funds to achieve the best possible cover for health care and to pay bills.

Other kinds of insurance are also essential because armed forces personnel have to pay for lost or damaged kit and the usual kind of home contents cover does not pay out enough for specialist equipment. In these cases cover by AIG or the Forces Financial insurance is a good option. Another problem faced by armed forces families are homes that are left empty whilst they are on deployment. Some mortgage lenders will not allow the property to be left unattended for months or years at a time so a specialist lender is often the answer.

Benefits and Financial Help for Armed Forces Families

The government provides a series of benefits and financial help for armed forces personnel and their families. As well as the normal child benefit, a member of the forces can get statutory sick pay, a personal independence payment, armed forces independence payment, the sure start maternity grant, job seekers allowance and tax credits. These benefits all apply to the UK and there are others that are available to veterans living abroad or serving abroad.

Serving members of the armed forces can have a tax free relief payment towards council tax and there is an allowance available towards school fees and child care costs. Personnel who regularly move around may prefer their children to go to boarding school in the UK and the vouchers that are provided by the MOD can be used for these fees or to pay for nursery care or summer camps.

Financial help with travel costs for veterans is another of the allowances on offer and this includes concessionary travel costs in London and applies to both widows and widowers. There are also special tours to cemeteries and battlefields around the world that can be arranged by the Royal British Legion and again there are subsidies for widows and widowers who have lost a spouse overseas.

Unfortunately, the majority of armed forces personnel are unaware of the many benefits to which they are entitled and fail to claim what is rightly theirs. Benefits such as carers allowance, disability living allowance and council tax benefits are available without taking into account war pensions but many people are under the impression that these will be taken into account before benefits are calculated. There is also a little known rule that states that if a member of the armed forces dies due to injuries sustained on active duty or an illness contracted whilst on active duty, then their estate is not subject to Inheritance Tax.

The Armed Forces Compensation Scheme makes payments to those who have been injured whilst serving their country. Depending upon the severity of the injuries, claimants from the scheme can expect to receive either a lump sum up to £570,000 or a pension for life. Sometimes both of these payments are awarded. Any money received under this scheme is not subject to means testing so other state benefits will not be affected.

Finally, there is also Resettlement Grant for armed forces personnel which is paid to help serving members adjust to civilian life. Qualifying personnel who have served at least 12 years, and who are unable to qualify for the Early Departure Scheme (see Pensions For The Armed Forces Personnel), will receive £10,100 as a tax free lump sum.

Pensions for the Armed Forces Personnel

Whilst in the past the financial support for armed forces families has been inadequate, they have always received a good pension. There are now two pensions schemes in operation for regulars and the latest one that was introduced in 1975 has key benefits such as death benefits whilst in service which now equals four times the annual salary. The pension is non-contributory and is based on annual earnings up to a maximum period of 40 years.

Additionally, members receive a lump sum payment of three times the annual pension and this is paid tax free. The service also has an Early Departure Scheme which helps those who stay in service past the age of 40 and who have served a minimum of 18 years. Those personnel who take up this offer can expect to receive a lump sum that is tax free and that is worth 3 times their annual pension. Additionally, pension payments of at least 50% of the annual reserved pension are paid out until the age of 55 has been reached. When they reach age 55 the member gets 75% of the reserved pension which is adjusted for inflation and then increases each year with inflation measured under the Retail Prices Index. Once the age of normal retirement is reached (65 years) the Early Departure Scheme finishes and the normal pension kicks in.

The British Legion

The British Legion has an excellent financial advice service that can help both those still in service and ex-service personnel. The Legion helps those who want to make a claim for state disability benefits, attendance allowance, carers allowance and employment support allowance. Even if the illness or injury was not a result of being in service, the advisors at the Legion can help with the application.

Those who wish to claim compensation but are unsure about the system can also ask the British Legion to aid them with their claim. Or, to challenge the amount of a claim that they consider to be inadequate. In addition, the Money Advice Team is available to help ex soldiers make the best of their benefits and can help to maximise income from tax credits or other payments that are not yet being claimed. Advice about debts is also available and the service is free and fully confidential.

With many ex service personnel suffering problems when adjusting to civilian life or finding themselves in financial dire straits, the British Legion has a range of help available. This includes emergency grants, help with mobility aids and other equipment, grants to help with further education and practical assistance for those who find themselves homeless. There are also grants available from other agencies which are administered by the Legion. These agencies include the British Red Cross, the Dunkirk Veterans Association and the Far Eastern Prisoners of War.

Moneyforce is a website that can help all armed forces personnel whether they are still employed or have left the service. Developed by the British Legion to assist current and ex members of the forces, the website contains useful advice and tools like budget calculators, savings goals, credit card calculators, life and family cost and crisis management. This useful website can help to provide the answer to many financial questions and can also be of assistance for helping the families of armed forces personnel to place savings and to plan for the future.

The financial problems that are often experienced by armed forces personal makes the specialist advice and information even more important. But, Moneyforce is a comprehensive guide that can assist all forces members to get to grips with their finances both during and after their career in the services.

CHAPTER 22

FINANCIAL AFFORDABILITY FOR GRADUATES

Many graduates feel that once the final exams are out of the way that their troubles are over. Unfortunately, for those who have borrowed large amounts of money to fund their education, the problems may just be beginning. However, although the immediate period after graduation may bring some serious financial challenges there are many different ways to approach the financial problems that are facing the average graduate.

In the first instance it is a good idea to understand the truth about some of the historical myths that are often bandied around about student debt and to have some facts that will help you see a way to cope with what may appear to be an insurmountable amount of debt. If some of these myths are challenged it could help to prevent future students from being put off going to university. So, what is the true cost of a higher education and how can it be paid off when you graduate?

The Real Costs and what You Have to Pay Back

The most important fact about university fees is not the amount that is borrowed but what has to be paid back and when. Young graduates who do not manage to break into their chosen career that would pay them a high salary may find themselves paying nothing back. However, those who do earn a substantial wage will pay the total amount back.

Paying for university does not require cash. Once a loan is granted the fees are paid by the Student Loan Company as are maintenance loans to pay for living costs. As you would expect, tuition fees are there to pay for your course and maintenance loans cover the cost of housing, food, clothing and books. Full time students get up to £9,000 per year and part timers can apply for up to £6,750 per year. Students who are living at home are entitled to claim up to £4,565 per year to live on and those living away from home are can apply for up to £5,740 if they are staying in a district that is out of the London area. Those students living and studying in London can apply for up to £8,009 per annum and if you want to spend a year abroad during your studying period you can get up to £6,820 per annum.

These figures can add up to a minimum of £40,000 which is a lot of debt to carry over into a working life. But, the amounts to be repaid each year will depend upon how much you earn once you start to work. The amount to be repaid is based upon 9% of all sums above £21,000 and this applies to all earnings whether you are employed or self employed. Sometime sums earned from investments are also added into the calculation. If you become redundant or move to a job with a lower salary then the payments will be reduced accordingly.

Many parents are concerned about their children getting into what appears to be horrendous amounts of debt and wonder if and when it can ever be repaid. But, the scheme is designed to help those who may end up in lower paid jobs as they will only pay a small amount back whilst those whose earnings are quite high will subsidise the rest. At this moment in time although there were plans to raise the earning threshold this has been put on hold whilst the government holds consultations. If the freeze goes ahead it will mean more students paying off their loans even though they are on low earnings.

One important aspect about repaying the loans is the monthly pay that you receive. The monthly figure of £1,750 is more important than the 9% of £21,000 as annual bonuses and any overtime payments are taken into account when the repayments are calculated. So, if you get an annual bonus the Student Loans Company will adjust the amount to pay for the month that it is paid. The payment of 9% over the £1,750 monthly figure also means that overtime could take you over the limit and your wage will be reduced accordingly by the amounts withdrawn for the loan.

Any additional income in the form of interest payments or dividends may also affect the amount you pay back. Additional income of more than £2,000 is considered to be part of your salary and payments will be calculated accordingly. Unfortunately, the repayments for a student loan are calculated on pre-tax income but deducted after tax has been paid so there are no tax perks to be had for repaying student loans. And, if you decide to work abroad after you graduate you will still be liable to make the necessary repayments.

Once a period of 30 years has elapsed any remaining debt will be wiped out. So, if you do remain in low paid employment for that period of time you may never have to make a repayment. Some mature students find themselves in this position because unless they are about to get a huge pension each year the debt will not have to be repaid. In addition, if you die the debt dies with you or if you become disabled and cannot ever work again it is also wiped out.

What all this means is that it is the people who earn the most who will take the brunt of debt for student loans. The scheme was designed to work this way so that students who are living in poorer families can still have access to a decent university education. All repayments are made through your employers payroll system and are already gone from the amount you receive in your bank account each month. This means there is no danger of falling behind and no chance of debt collectors chasing you for the money. In the case of those who are self employed, payments are sent to HMRC along with any tax that is owed for the year. Failure to repay could result in a court appearance as the money is owed to the tax authorities who have paid the amount due.

Interest rates for Student Loans are complicated. While you are studying the interest accrues at inflation based on figures for RPI plus 3% of the balance. After graduation this becomes RPI inflation only if you earn under £21,000 and a gradual increase as your salary increases. So, the more you earn the more interest you pay and this is another way that higher earning individuals are subsidising those earning a low income. Likewise, some people will never earn enough to pay back the loan and these individuals are getting the benefits of a free education.

The most important point to remember about all these facts and figures is that how much the university charges for a course is meaningless as the repayments of the loan will depend only upon your earning which, in essence, is your ability to pay.

Are Student Loans Enough to Live On

As the media focuses on quoting high figures for student loans, there is another aspect to consider and that is whether the amounts borrowed are actually enough to live on and still study effectively. Many students have resorted to part time jobs to help sustain their living costs and some have become dependent on the bank of Mum and Dad to help support them through this crucial period of their lives.However, there was another choice and this was the maintenance grant (not loan) which was available to students living in a household where the total income came to less than £42,620 per year. The amount of eligible grant was based on a means tested application and if you decided to leave the course you could be asked to repay some or all of the amount you had been granted.

In the budget of 2015, it was announced that maintenance grants would be stopped but that the maximum amount to be borrowed would be increased lessening the likelihood of student needs to top up their income by part time jobs. However, it has been suggested that borrowing even higher sums could be a psychological barrier that may prevent some eager students from contemplating a university course.

The after Effects of Student Loans

Details about student loans are not entered onto credit files at the major credit reference agencies. However, if you are applying to borrow money on a personal loan or are taking out a credit card you may be asked for details about any amounts outstanding. When applying for a mortgage there are two schools of thought about whether or not having student debt impacts your chances of a successful application. Graduates are often the ones who are the higher earners and therefore more likely to get approval for a mortgage application. However, if the amount of student debt is high it can affect the affordability factor as lenders will need to be sure that you can really afford mortgage repayments along with all your other monthly outgoings.

Student loans can be repaid early but you may want to consider whether this is a worthwhile exercise given that the interest rates being charged are so low. And, taking into account the fact that low earners may not need to repay at all. Overpaying every month will not reduce the overall debt but if the fact that you have a student loan is impairing your ability to get a mortgage it could be the best option. Parents who think about paying up front for tuition fees are also going the wrong way about spending their finances sensibly. Student debt is actually a good debt (possible the only one) as the interest rates are so low and it may never need to be repaid. So, parents would be better off saving that lump sum towards a future house deposit instead of worrying unnecessarily about huge debts that are not relevant.

There will no doubt be many changes to the student loan system in the future and this could lead to more or less students going on to full time higher education. Sometimes the figures that are thrown around about student debt are enough to put off the most able young people but looking at all the pros and cons of the system you can see that the system is actually organised like a tax and not a loan. Or, it can be likened to a system of contributions to higher education where the lowest earners achieve the most benefits.

Unlike a normal loan, the student loan is repaid directly from earnings. It is only repaid after a certain level of income is reached and the amount to be repaid is dependent upon how much is earned. One of the best advantages is that student loans are not added to credit files and there is no chance of a debt collector appearing at your door. It does not matter what amount you borrow as repayments are solely determined by ability to pay back and you may end up paying all of the sum borrowed, some of it or none at all. Before being put off by the large figures quoted in the media about how much will be owed you should look at how much you will need to repay and then take advantage of the opportunity to fulfil your dreams of a university degree.

CHAPTER 23

THE IMPACT OF A WEDDING ON FAMILY FINANCES

A family wedding is a joyous occasion but it can have a huge impact on family finances. Whilst many people read and take note about the average costs for a wedding, there are always unexpected extras that crop up and then there is the tricky question about who pays for what. It is a fact that the majority of parents and engaged couples underestimate the true cost of a wedding even when it has been planned as a small family affair. Somehow, as the day dawns ever closer more people get invited and costs begin to spiral out of control. So, what is the best solution to ensure that your big day goes without a hitch and does not cost the earth?

Saving money for a wedding is often the best way to avoid the overspending and the stress that is often created by the planning and organisation of the big day. With some foresight and careful consideration you can pull this off without experiencing a financial (or emotional) breakdown. It is essential to work out what the day will cost so once you have decided how much you can afford you must stick to the budget and this will ensure that costs do not go out of control.

Whilst in the past it was traditional for the family of the bride to bear the brunt of wedding costs, these days it is often a more shared affair with both families paying for some of the items and the bride and groom chipping in as well. So, maybe the families will pay for an expensive item like the reception or the limousines while the couple pay for rings, photographs and the honeymoon. Have a good talk amongst the families to decide who can afford to pay for what and you will be able to achieve a balance that makes everyone happy.

Setting the budget is not always easy as everyone wants to enjoy their special dream day. But, it is important not to get carried away so that you end up paying for the wedding for years. Or even worse, end up with a lot of debt. So, first do some research about a suitable venue. Unless you are a regular worshipper and have set your heart on having your wedding at the local church, you can shop around and find somewhere else to hold the ceremony and reception. Often a little haggling can help to cut down the price and you can always quote comparison prices to help you get a good deal.

Sticking to the essentials is a good plan and being strict about the number of guests will also help to cut costs even though it may upset a few distant family members. Remember that this is your day to be enjoyed and not just a freebie for everyone who knows you.

If you choose to get married on a weekday it can also be cheaper than getting wed on a Saturday. And, winter weddings are less popular than summer ones so this too can help you to get some of the extras at lower prices. Employing the services of a DJ, a photographer and a florist who will be glad of the income at quiet times of the year will allow you to have what you want but at lower costs so choose your date carefully.

When it comes to organising food for the reception you do not have to go for an expensive sit down meal with formal tables, waiters and expensive champagne. There are now a host of different ways to celebrate weddings from an informal buffet on a canal boat to a hog roast in the garden. Many families choose to have a smaller reception immediately after the ceremony and then a larger party in the evening. This way you can invite more people to celebrate your union but it will save you money. The evening party can be organised with family and friends helping with food and decorations and you can put a certain sum behind the bar to buy everyone a free drink and then it is down to them to pay for their own.

Saving for a Wedding

Once you have worked out how much you can afford to spend on your wedding you will have a budget and can then plan how long it will take you to reach this amount. Saving for a wedding is all about being realistic. So, if the budget is large you may have to wait longer to get married. Therefore, if your budget is around £5,000,(which is the average that people now expect to pay) you will need to save £400 each month if you want to get married in one years time. Bearing this in mind, it is sometimes more important to estimate how much you can save in a year and then arrive at a figure you can afford.

Starting a savings plan early i.e. as soon as you get engaged, is the best way to achieve your dream wedding. Open a separate saving account that offers instant access and this way you can draw money out as and when it is needed for deposits or early expenses. Setting up a regular payment into the account from your current account means you can see the sum grow and you will not be tempted to touch it for extraneous matters.

Accessing a money savings comparison website will give you an idea about which bank or financial organisation will pay the best interest and if your plans for a wedding are longer than one year ahead you can choose a fixed rate account that may pay more interest. An ISA savings plan will also pay gross interest so that the taxman does not get any of your wedding funds. But, check the rates as some of these accounts only pay good interest for a limited time and then revert to much lower rates.

Another way to build up the funds for a wedding is to ask friends and family for donations towards the cost of the big day or the honeymoon instead of buying household goods as presents. With more people now living together before they get married it may be that wedding gifts are surplus as you will already have a toaster, kettle etc and may prefer to have a small donation to put towards the honeymoon. If you are fortunate enough to have a family that is financially well off, they can make a monetary gift for a wedding that can be set against any inheritance tax that could arise in the near future.

A Extra Monetary Guide to the Big Day

The pressure has often been on the father of the bride on her wedding day. He has to make a speech, walk his daughter to the alter and often has to shoulder the cost for a lot of the expenses. Some figures quoted in magazines state that the average wedding costs around £24,000 but as usual this includes society weddings that cost many thousands and smaller affairs that could cost as little as a few hundreds. But, recent statistics show that only 18% of fathers now pay the total cost of a wedding and lots of couples now pay the whole amount themselves.

There are plenty of ways to cut down on costs especially if you know a skilled cake baker or a seamstress who can make your wedding gown. Making compromises does not mean your day won't be fantastic so look at cheaper alternatives to expensive cars, photographers and venues.

Getting married at a register office is no longer the hole in the corner affair that it was once viewed as. Many offices are light and airy with fabulous flowers and sensitive registrars who put real meaning behind the words. So, unless you are religious this is a good place for the ceremony. It costs just £119 to marry at a register office in England or Wales. You need only give 16 days notice and need just two witnesses.

For a low key celebration you can choose a non wedding venue and even a large garden at the home of a friend can be fitted out with a marquee and a hired bar. Or, approach the local pub where the manager may be able to do you a deal especially if you decide to get married on a week day.

Spending a fortune on a designer wedding dress is also a luxury that you may not be able to afford. As it is only going to be worn once you may decide to avoid the expensive bridal shops and go for one of the latest High Street creations from Debenhams or H & M where you can pick up a lovely dress for around £60. Wedding rings can be bought from the jewellery quarter in Hatton Garden or Birmingham where you can choose a design made specially and can haggle over the price. And, independent florists are often cheaper than those who specialise in wedding flowers. Don't worry about providing gifts for the guests as this is unnecessary and will add to the mounting costs.

A wedding car may be part of your dream but why not ask around and see if a friend or neighbour has a vintage car you can borrow to take you to the ceremony. Most vintage car owners are proud of their vehicles and will probably do the job for nothing. And finally, although photographs may not be an area where you want to compromise you may know a budding amateur or someone who loves taking pics. With the advent of digital cameras and photoshopping it is unlikely you will get all bad photographs so look at alternatives to the professional photographer.

The many alternatives to paying out a fortune for your perfect wedding day are there for you to consider. With a little planning and foresight your day will be a huge success and remain memorable for all the family and guests without leading to the stresses and strains of getting into huge amounts of debt that could linger for years.

CHAPTER 24

FAMILY FINANCES AND A NEW BABY

Making the decision to start a family is an exciting prospect but it can be somewhat daunting if you stop to consider how much it will cost when the new baby arrives. Creating a budget before the arrival of the baby can be a good way for prospective parents to start rearranging finances so that when the baby comes home you will have gained control over most of the extra expenses.

Creating a budget before the baby is born will help you to know exactly how much income you have and how much you spend every month on bills and other expenses. Use a budget planner that is available online or just use the traditional method using a pen and paper to note down your income and expenditure. You can also do some research into how much it will cost for everything you will need for the baby.

If you know that your income is going to be curtailed after the baby is born you should try to cut down on your expenditure as soon as possible. Split your expenses into essential and non essential sections and then see where savings can be made. For example, there are some simple ways to cut down on shopping by looking for two for one offers or shopping at a cut price store.

Buying foods in season will always be cheaper than buying expensive foreign fruits in the winter and taking advantage of special offers for toiletries and cleaning products is always worthwhile.

If you tend to spend quite a lot on non essentials like an expensive latte every morning or a gym membership that is not used to the full, you can make some simple savings by substituting a flask of coffee to take to work and by using the local park for a run.

Reducing your outgoings by paying down debts is also a good way to save money each month. The time to deal with debts is before your baby is born so try to make the maximum payments that you can afford each month off credit and store cards. If possible switch your credit card for one with a 0% interest rate and pay off the balance. Check to see if your personal loan has an early repayment penalty and if not try to make higher payments each month to reduce your overall indebtedness.

One good way to make savings is to put aside a set amount each month into a separate account that is designed to cover the extras you will need for your new baby. A regular savings account with a fixed interest rate would be a good option and there are accounts that can be run for 6 months as well as the yearly fixed rates usually on offer. In addition, if you choose an account with a passbook instead of a card this will remove any temptation to dip into the savings pot.

There are some benefits that can be claimed towards the cost of starting a family and these include tax credits and, once the child is born, Child Benefit. Most employers offer Statutory Maternity Pay which is payable for 39 weeks and this is equal to 90% of your average weekly earnings for the first 6 weeks then £139.58 or 90% of your average weekly earnings (whichever is the lower figure) for the next 33 weeks. Statutory Maternity Pay is subject to tax and National Insurance contributions just like a salary.

If you are not entitled to Statutory Maternity Pay you may be eligible for Maternity Allowance from the state and this is paid once you have been pregnant for 26 weeks. The payments can start 11 weeks before the baby is due to be born. Payments are dependent upon eligibility so you can either get £139.58 per week or 90% of your average weekly wage for up to 39 weeks or £27 per week for up to 14 weeks. Details about Maternity Allowance can be found on the gov.uk website. This allowance does not have any effect on tax credits but can make a difference to other benefits such as a council tax reduction, housing benefit and income support. It is also important to know that a pregnant woman is entitled to up to 52 weeks of maternity leave regardless of how long she has been employed.

In order to increase your income further you could look at some of the money making sites on the Internet that give details of how to sell unwanted items. Choose the right place for your savings and look for cashback on credit cards. There are a host of different ways to save money so do some research and see how you could increase your income. Finally, keep a calendar with important dates so that you know exactly when you can make any claims for allowances or benefits. Devising a budget to help you arrange everything for the arrival of your new baby will help you to stay in control of your family finances.

How Much Will a New Baby Cost?

Money worries should be the last thing on your mind when you are expecting a new addition to your family. So, don't spend sleepless nights lying awake thinking about how you will cope. Take control of the costs and get all the enjoyment you can once your new baby arrives at home.

Although it is natural to want the very best for your new baby, it is better to get some second hand items than to go into debt to pay for brand new equipment or clothes that will soon be redundant. Ignore the tempting advertisements for expensive buggies and moses baskets and concentrate on essentials. If you take advice from other families who have recently had a baby you can get some great tips on how to spend less. Friends and family will want to give presents so ask for larger clothes as well as new born sizes and don't be afraid of taking second hand items which may have only been worn once or twice.

Think very carefully before you make a large purchase like a full travel system. Buying a car seat and buggy is usually all that is needed and you can get these from charity shops and second hand stores or from friends. Try to buy when it is sale time and save even more money. Also look at large supermarkets where baby clothes are a fraction of the cost that traditional baby stores charge. You could consider borrowing items like a cot which can then be passed back or on to someone else once the child goes into a bed. Joining a baby club is also a good idea as you can often get free samples and vouchers for baby food and milk.

If you do decide to buy new baby equipment try to keep hold of the boxes and then sell it on when you have finished with it. There are endless tips for new parents on websites like Mumsnet so take advantage of the information on the Internet and you can soon cut the costs of starting a family.

Managing Your Family Finances

With some careful foresight and planning you can take control of your family budget when a new baby arrives. The first step is to take into account a loss of income even if the mother intends to start back to work at a later date. Statutory Maternity Pay may not be as much as a salary so some items of expenditure may have to go. You may be in a position where previously you could buy a new TV or laptop without giving any thought to the cost. However, after the baby arrive home you may have to look at foregoing some new items in favour of baby stuff. Making a conscious decision in conjunction with your partner is a good way to take control of spending. Joint decisions about household spending and budgeting can help to solve any worries and having a new baby is a demanding challenge so share the decisions and don't allow the whole burden to fall onto one person.

When two people are in a relationship and they decide to have a baby it is a good time to look at how the money coming in is split up. Some couples decide to keep separate accounts and split all the bills and some decide to open a joint account and pool all their resources. You can also split the money into separate piles with a joint pile for bills and household expenses or, if one person earns more than the other, there is the personal allowance option where the higher paid earner transfers a set sum each month to the other partner.

Child Benefit , Free Prescriptions and Insurance

Child Benefit was a universal benefit that was paid to all parents but recently there has been a change in eligibility. Where there are two partners who each earn less than £50,000, the full amount of Child Benefit is still payable. However, if either partner receives between £50,000 and £60,000 a proportion of the benefit will have to be returned to the government in the form of income tax. So, for every £100 you earn over the £50,000 limit you will pay back 1%. Where one of the partners earns over £60,000 per annum the whole amount of Child Benefit must be paid back as tax.

It is important to make a claim for Child Benefit even if you earn over the limit as this will protect your National Insurance credits which go towards your pension. It also means that when your child reaches the age of 16 they will automatically be sent a National Insurance Number from the government and it can protect other benefits like a Guardian allowance.

Once you have made your claim you can ask for the Child Benefit to cease which avoids the necessity of paying tax and you won't need to complete a tax return every year. However, there are a number of good reasons why you should continue to claim. For earners who get between £50,000 and £60,000 there is a proportion of the benefit that can be kept. If you earn over the £60,000 you can put the CB into a separate savings account in the child's name and earn some tax free interest before the time to pay tax becomes due.

Mothers who are pregnant are entitled to free prescriptions and dental care on the NHS and this continues for one year after the baby is born. The benefits can be claimed by obtaining a Maternity Exemption Certificate from your doctor or midwife. If the certificate is issued late you can also claim a refund for any prescriptions or dental care for which you have paid.

Finally, do not forget the importance of updating insurance once your baby is born. Consider how your family would manage financially if you had a long term illness or died. Protect your family by taking out adequate life insurance that will pay out a lump sum or regular income and always ensure that the mortgage on your home is covered. It is also a good idea to take out some income protection insurance that will cover at least part of your salary should you have an accident or long illness. Some employers provide this as a perk of the job so check first to see whether there is any cover in place.

Contents insurance should also be updated to cover the extras that you have bought for your new baby and you may need to take on higher cover for expensive items like electrical goods, furniture, clothing and jewellery. You should always take into account that having children may increase the risk of accidental damage to household contents and add this to the policy.

There is so much to think about when you decide to start a family but if you plan ahead and take charge of your family finances you can avoid any long term worries and concerns and fully enjoy your new addition to the family.

CHAPTER 25

REDUNDANCY AND FAMILY FINANCES

The prospect of being made redundant should be a wake up call to look closely at your family finances. Even though redundancy is not the same as being sacked there are far reaching implications for all members of the family should the worst happen and your job disappears. There is a lot of help available should this actually happen including state benefits, legal rights and advice about how best to cope after you leave your job. However, the first step to consider is whether or not your redundancy is actually real.

The law states that before you can be made redundant your employer must use the correct method of deciding which jobs are to go and advise you why this is happening. There must be a proper selection system and you are entitled to a period of notice. If there are any grounds for suspicion that you and your role have been chosen for redundancy on the grounds of gender, race or age, or, if the selection process and notice period have not been processed correctly you can appeal against unfair dismissal at a tribunal.

The amount of notice required for redundancy varies according to how long you have been with your employer. For between one month and two years the period is one week. Between two and twelve years you must be given a weeks notice for each year of employment. Finally, the minimum is twelve weeks notice if you have been employed for over twelve years. Employers can pay you a lump sum instead of asking you to work your notice and this is taxable. Alternatively, you may be asked to go on 'gardening leave'. That is, stay at home whilst still employed and being paid. In this instance the employer can ask you to return to work if they need you and you can't start another job until the leave is finished.

One of the most important points about redundancy is that the employer must deliver a proper consultation process which shows that there is no alternative to the job disappearing. The consultation process time period will depend upon how many people are employed at the business and if there are over 100 employees then the employer must start the process at least 45 days before the first jobs go.

If you have been chosen for redundancy then your employer must consult you as an individual to explain what is happening and why the decision has been made. After the consultation you will get a formal redundancy notice period in writing before your job comes to a close. In some cases there is a statutory right to look for other work whilst the period of redundancy notice is being served and in many cases if you find a job you can leave before the period of notice has expired. On you leaving day you will get any outstanding pay including holiday pay for leave not taken, a letter stating that you have been made redundant, a P45 form and pension details.

Some companies may offer the chance of early retirement instead of redundancy and if this occurs it is wise to look carefully at the pros and cons before committing to this course of action. Whilst employers will always make the chance of early retirement look attractive there can be some downsides to this option. These include losing out on redundancy rights and pay, the possibility of a smaller pension and the fact that you may be some years away from receiving a pension. However, some employers do offer the chance of a payment into your pension contributions which would boost the pension pot or the opportunity to receive the same pension as if you had worked to normal pension age.

If you are thinking about taking early retirement there are a number of factors to take into consideration. You should work out your total income, weigh up how much savings you have and have a firm grasp of how much you have to pay out each month for financial commitments and regular spending. One factor that many people forget is that what they save on travelling costs they spend on extra heating at home. And, there is the small matter about how you will spend the rest of your years. As we are all living longer, retirement years can stretch out further than for people of previous generations. So, the most important fact to think about is whether you will have enough income to live the retirement life of your dreams.

Redundancy Pay and Benefits

Although the idea of receiving a lump sum that is paid upon redundancy is a tempting prospect, if you have only been in your job for a short time you may be disappointed about how much you receive. Younger people receive less as they are expected to have a more realistic chance of gaining new employment. So, those aged under 22 receive only a half week's pay for each year of service. Employees aged 22 to 40 years of age get one week's pay for every year employed and those over 41 are entitled to a week and a half's pay for each year of service. You are also entitled to holiday pay and if your redundancy pay is calculated at under £30,000, it is tax free. Holiday pay is taxed as normal. When a company has gone into liquidation you will still get redundancy pay but it is paid from the state.

Following a redundancy there is the possibility of claiming back some income tax especially when you have worked part of the tax year. You can look on the website at HMRC to calculate if you are due any refund. Employees who are claiming job seekers allowance must claim their tax refund through the benefits office. If you have been fortunate enough to secure immediate employment following redundancy i.e. within four weeks, your new employer will refund the tax due in your first salary payment.

If you have been made redundant you can claim job seekers allowance or universal credit. After this benefit is approved you may also be entitled to some help with mortgage or rent payments and tax credits. Universal credit, which is replacing job seekers allowance and other benefits, includes elements such as child care costs, carers allowance and housing costs. It is the intention of the government that the universal credit will eventually replace all other benefits thus making is simpler and easier to administer claims.

Current benefits can be claimed using the online process where you provide details about your address, past employment, income and savings and other factors which will determine how much you are entitled to. When you have applied you will be required to attend an interview and see an advisor who will talk you through the process and advise you about securing work. You will also be required to sign in every two weeks for the period that you are claiming. Tax credits are available for families with children and those with a partner who is working. Tax credits are means tested as are housing benefit and welfare and educational grants.

A Change of Career

Many people treat redundancy as an opportunity to make a complete change of career and there is a lot of help and advice available if you want to go down this route. You could use your new found time to gain extra skills or take qualifications in a completely new type of job. Financial support is also available for those who choose to retrain. Even if you have received a substantial redundancy payoff you can get a career development loan that means you can borrow between £300 and £10,000 regardless of your savings. Student loans are available for mature students and the government is looking at ways to increase the number of apprenticeships which means you also earn as you learn. There are also grants and bursaries available through charities, colleges and universities.

There are a number of ways you can enhance your income when you have been made redundant. The first step is to check that you are getting the right benefits. Then look at other ways you can improve your incoming cash. This could be by letting out a spare room from Monday to Friday and you are entitled to achieve £4,250 per year without being liable for tax on this extra income. As long as your landlord or mortgage lender does not object this can be a good money spinner.

Having time on your hands also means you could look at de-cluttering your home and selling the excess and unwanted stuff. Ebay is a great way to rid yourself of unwanted items from the home and whilst the return may not be great you will get a tidier and clutter free home. In addition, the act of clearing out old things is a great way to clear your mind for the task ahead of getting a new job.

There are some opportunities for working from home especially if you have the skills required. However, beware of scams that promise huge returns for a few hours work a week. In addition, a lot of people find it hard to work from home as they miss the daily interaction that they had at work. There are also opportunities to sell from home which could involve weekend and week nights work but this can be a chance to get out and about and could lead to a full time job. The Citizens Advice Bureau website has lots of advice about home working so if you have a hobby that could make you money this could be the time to start. Finally, it is always wise to remember that any extra income you make could affect your benefits from the state. And, it could also mean paying more income tax so be sure to advise HMRC and the benefits office if you do earn some extra money.

Family Debt and Redundancy

The biggest worry when you are made redundant is often how to pay off debts. Even if you have been fortunate enough to get a large redundancy payoff it can often be difficult to keep up the repayments on debts. So, if the worst happens, you should start by making a list of all your debts as well as a list of regular bills. Don't make the mistake of ignoring any debt as it will surely come back to haunt you in the future. If you have taken out MPPI (mortgage payment protection insurance), this will cover mortgage payments for set period of time. PPI may cover credit cards and loans and if you have had the foresight to take out income protection insurance, you could get a part of your wages paid for between one and two years.

Prioritising which debts must be paid is essential. At the top of the list is the mortgage or rent followed closely by utility bills. As long as these are paid you will not lose your home or have your gas or electric cut off. The debts that are lower down the list of priorities are credit cards, loans, store cards and overdrafts. Whilst you could end up at the magistrates court with an order to pay back a certain amount each month, you will not lose your home. Work out a budget for each month for essential outgoings and what remains can be used to start clearing your debts.

There are plenty of resources available to help you manage your debts if you have been made redundant. The Citizens Advice Bureau of a good place to start and this body will also arrange for a free consultation with a solicitor if your need this service. There is also a National Debtline and an array of organisations like the StepChange Debt Charity that will be able to give advice and information to help you through this difficult financial patch.

If you have received a decent lump sum for redundancy you can use it to provide a regular top up income for your family. Putting a large sum into an account that pays some interest will be a better option than keeping it in a current account and it can also be used as an emergency fund if necessary.

If you already have another job you could look at boosting your pension pot with the lump sum and the contribution would be tax free as long as you do not exceed the limit. As pension rules are tricky it is always best to consult a pensions advisor before you make the payment.

The chance to start your own business is also available if you have received a large lump sum so if you have been waiting for the opportunity to set up your dream company now is the chance to take it. Just be prepared to do detailed research so that you are not committing your cash to a project that will fail.

Although redundancy may appear to be the end of the world it can be a chance to take control of your life and could have a good impact on your family finances instead of a bad one. With some careful planning and research you can put your redundancy payment to good use and achieve the future your deserve.

CHAPTER 26

SIMPLE STEPS TOWARDS FAMILY FINANCIAL AFFORDABILITY

Planning your family's financial future may appear to be a complex and challenging project but there are some simple steps you can take to achieve your aim. Basic principles like living within your means, saving for both short and long term goals, paying down debts and thinking ahead will all help you to secure your family's future financial security.

One of the most effective tools that is useful for managing family finances is to set a household budget. This is a very simple method of keeping on top of all the income and the outgoings of the household. You can use a spreadsheet as a record and a planner or you can just keep a written record. Both methods are effective and will clearly show you exactly where your money comes from and more importantly where it is going to. If you choose to use an online budget planner when recording your finances it will show a breakdown of where the money has been spent and this will give you an indication of where you can best cut down on non essential spending.

Once you have achieved a close look at where you are spending your money it will soon become clear whether or not you are overspending i.e. spending more money than you have coming in. This is a warning sign that should be immediately addressed and you can cut down on small insignificant items that soon build up to large amounts. Keeping a diary of exactly what is spent is another good tool and this will give you a complete picture of your spending habits especially if you keep the record for a year or more.

Dealing with Credit Cards and Loans

The fastest way to pay down your debts is to deal with the credit cards first. These lines of credit charge the highest amounts of interest and although you are only asked for the minimum payment each month, if this is all you make, you will find that it could take years to clear the debt. So, pay off store cards and credit cards first as these charge the most. Then apply your payments to personal loans as long as there is no early repayment penalty clause. If there is you can put aside the extra money in a regular savings account which will at least offset some of the interest being charged.

If you do have a lot of debt and have been getting letters about late or missed payments then it is unwise to ignore them. Most companies will come to an arrangement if you are struggling to make the amounts required. Always keep in mind that the priorities for payment are rent, mortgage and utility bills. If these are also causing problems then you probably need some serious advice from a debt counsellor or an organisation like the Citizens Advice Bureau.

Getting help to deal with debts may be a difficult step to take as there is still a stigma attached to owing money that you cannot repay. However, most families owe money on a mortgage or car loan and when times are hard they will have faced the same kind of problem. So, don't bury your head in the sand where debts are concerned. Face the problems head on and you will prevent sleepless nights and possible stress related depression. Totalling up the full amount you owe can often be a painful experience but once the amount is out in the open you can begin to deal with the problem.

Savings, Insurance and Pensions

Savings, insurance and pensions are three of the most important aspects of family financial management. Whilst many people find it difficult to get motivated to save for a specific goal, this is a habit well worth cultivating. By focusing on the item you want to buy and not looking at the amount you save every month you will find it easier to achieve your goal. But, before saving for a new TV or smart phone you should save up an emergency fund that can be used for when something unexpected occurs. This could be something like a large car repair bill or a central heating boiler breakdown. In addition, most families in the UK could only last for two or three months if they experienced a loss of income so it is always a good plan to have six months worth of salary saved up if possible.

When you have established your emergency pot of savings you can think about saving for a new car or a holiday. Instead of relying on credit cards to foot the bill and pay back large sums of interest, use your new savings account and enjoy interest free money. A regular savings account that is set up through a direct debit or standing order from your current account is a good option. In this way the amount will be gone from your wages before you get it and so you will not miss it so much. If you get a pay rise, instead of allowing the extra amount to seep away on everyday spending, why not put it to one side as savings and enjoy the benefits of the extra money at a later date.

Insurance is a must for all families and this means not just buildings and contents policies but also cover for the mortgage repayments. In addition you should consider ill health cover that would pay out enough for household bills should you be off work for a long period of time. Shop around for car and travel insurance and you could save some large sums of money. Managing family finances is all about the detail so do some research and your forward planning will pay hefty dividends.

One of the most ignored aspects of family financial planning is retirement and pensions. Whilst we all think there is a plenty of time to go before we retire, the time passes so quickly that starting a pension as soon as possible is an essential. As the age for receiving a state pension increases it has become even more essential to make some plans for a pension so that you do not have to work until you are 70. Pension contributions receive tax relief so pay the maximum contributions you can. It is also important to ensure that you have enough National Insurance contributions to qualify for a state pension and if there is a gap in your record you can top it up with voluntary contributions before you retire.

Remember to regularly review pensions and savings plans so that you remain ahead of the game. And, consider how you will manage on a reduced income when retirement is looming. If you want to stay in your current home you may need a larger income than you will get from a pension so look ahead and work out your possible retirement income well in advance. These are just a few of the simple steps that you can take to ensure that you and your family achieve financial affordability both now and in the future.