ON THE money

TAKE CONTROL OF YOUR FINANCES TO BUILD A LIFE YOU LOVE

CHARLOTTE BURNS

Financial Blog of the Year, Lottyearns

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ON THE money

TAKE CONTROL OF YOUR FINANCES TO BUILD A LIFE YOU LOVE

I can't believe I've written a book! I want to say a massive thank you to Bronni Hughes and Sam McFaul. Without your help, there would be no chance I could have managed it.

Caroline Laws, Teresa Fritz and Andrew Johnson; thank you for being brilliantly smart and generous with your time.

And to my family; Mum, Dad, Francesca, Phil, Oliver and Rosie, I can't thank you enough for all the times you looked after baby Matilda while I typed away in the evenings and at weekends.

Harry, my wonderful partner; thank you for the endless supply of love and support.

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1 GET ON THE ROAD TO FINANCIAL FREEDOM

Congratulations on one of the best investments you've made so far – buying this book! Who needs Bitcoin?!

Is that statement too braggy? Well, I might be a bit biased but you're not going to regret it when you're living the life you want with total financial freedom. This book is my way of helping you get there.

Choosing to read this book tells me that you're smart enough to understand that when it comes to finances, you have to be proactive. Most people float through life without intention, hitting one unexpected financial problem after another. Often, and usually through no fault of their own, there's a lack of knowledge and zero strategy.

Let me throw some stats at you from research conducted by the Money and Pensions Service in 2021. I think they're pretty shocking.

In the UK:

- *11.5 million people have less than £100 in savings.*
- *9 million people have to borrow money to pay for food.*
- *22 million people say they don't have the knowledge to plan for their retirement.*

Big yikes, guys.

WHO AM I TO HELP YOU?

I've been a consumer writer and editor for over 10 years and am utterly obsessed with helping people to be better with their money because I know what it's like to have nothing and get back on my (financial) feet.

I graduated from university with a Law degree in 2008 as the financial crash happened. It was shit. People were losing their jobs, homes, life savings and, unbelievably, no one wanted to hire a plucky graduate with a talent for downing £1 pints of Snakebite.

I moved to London right after graduating because I felt it was my best chance of getting a job and spent a good few years on benefits, before finding a role, being made redundant (twice) and then finding myself on benefits again. This all caused a decline in my mental health and after losing my job and flat, and sofa surfing for far too long, I was ready to give up until I spotted a job advert that changed my life.

You see, while having no money – I'm talking sobbing and causing a scene at the bank because I went over my overdraft and the fine would eat massively into my benefits levels of no money – I became obsessed with finding ways to save money. It gave me back some of the control I had lost.

I'd find free tickets to the cinema, or print out coupons and wait until the item was discounted so I could buy it for free, or as close to free as possible. I became a pro and was seriously good at bargain hunting.

The job advert was for a deals hunter at Martin Lewis' Money Saving Expert. At the job interview, they asked me why they should hire me as I had no journalism experience. In my head I did an impassioned Erin Brockovich-esque speech on how I had no relevant qualifications but there was no one who knew how to save on everyday stuff like me and they wouldn't meet anyone who cared as much as I do. It was probably cringeworthy, but it worked.

I worked there a few years before leaving to become editor at a leading student money website, then I went freelance and set up my blog, LottyEarns, two-time winner of Financial Blog of the Year at the Headlinemoney Awards (the Oscars of the financial industry!). I also started writing for national newspapers and magazines.

I'm currently the senior digital editor at the Money Advice Service, which is my dream job. I get to spend a lot of time figuring out what financial problems people really have, work out how they can be fixed and then come up with new and exciting ways to package up that information so it reaches the people who need it.

WHY MIGHT WE BE A BIT RUBBISH WITH OUR FINANCES

The truth is, we probably have very similar money values and habits to our parents, whether we realise it or not. They got theirs from their parents, who got it from their parents and so on. It's a cycle and as with any family cycle, there can be really healthy aspects alongside pieces you want to break. Figuring out where the problems are and then improving them is key.

On top of this, there is little to no financial education taught in schools. Sure, they teach you how to do Pythagoras theorem (still no clue what it is) that the majority of us will never use in the real world, but not what taxes are and how they work, which we all need.

Where I grew up, it's completely normal to have £1,000's worth of debt, live in a rented home and live pay cheque to pay cheque. And no one is breaking a sweat over this at all.

I work for a company that aims to help people with money management skills, sort problem debt and encourage people to make good pension decisions. We don't target people who are well off (though there is a lot of relevant information for them) and don't massively focus on people with hardly any cash but are doing well, because believe me, people who are seriously skint know exactly what money they have, where their next penny is coming from and what they need to spend it on.

We spend a big chunk of our time trying to reach people who don't know they need help, which is a lot of people. So many people own expensive items, take yearly holidays, buy fancy cars on finance and so on. From the outside looking in, they seem comfortable, but the reality is that a lot of it is paid for on credit – they have no savings and the smallest thing could send them into a debt spiral.

And now we've had a pandemic to contend with. The world is a tougher place now with uncertain employment, an increased cost of living and rising debt. People who didn't have to worry about money a couple of years ago are now paying for their supermarket shop on a credit card.

Getting on the housing ladder has become close to impossible for many, so it's easier if they just don't think about it. The same can be said when it comes to retirement plans.

I NEED YOU TO STOP COMPARING YOURSELF WITH OTHER PEOPLE

I've worked directly with hundreds of people who are struggling with money and if you're picturing some Oliver Twist-esque urchin or someone from *The Jeremy Kyle Show*, that's not always the case. It's often the people who wear nice clothes, have good jobs, a good education and are smart who are up shit creek.

Don't believe what you see! You might have friends who have a nice car and a big house and wonder how on earth they can afford their

lifestyle. But the likelihood is they're up to their eyeballs in debt, have no savings and no retirement plan. And that's nothing to be jealous about.

So I need you to stop comparing yourselves with the people around you or on social media.

- I don't care if someone earns more than you, it doesn't mean they are, or will be, better off than you.
- I don't care if someone can go on fancy holidays and buy nice things, it's often debt.
- I don't care if someone has bought a house when you can't afford to. There are lots of bad mortgage deals out there and more often than not, money from family comes into play here.

Follow your own path and have trust in the financial strategies you are going to create. Being financially secure is a million times better than giving the illusion you are. Because here's the truth: you can't enjoy the things you buy if you can't afford them. Not really. There will always be some guilt and anxiety associated with them. Get them the right way.

BREAK THE BAD HABITS

Throughout this book, I'm going to help you break any bad money habits you may have inherited and educate you about money management and planning. I'm going to tell you the truth and challenge some preconceptions.

I've been in this industry a very long time and have learned from the best. I'm not going to tell you to ask the universe for cash, invest in risky schemes or give you empty promises of becoming a millionaire.

I'm not one to sugarcoat things so let me be clear: the things I will ask you to do aren't always fun, and they aren't always (or ever) sexy but they are realistic and do-able, no matter where you are on your financial journey. You don't need a six-figure salary to have financial freedom but you do need to commit to making some changes.

If there's one thing I can promise, it's that if you do the things I suggest, you will be better with money and, therefore, you will have more of it. So buckle up!

MONEY MYTH BUSTING

Before we get stuck in, here are some common misconceptions about money that I want you to shake off:

- If you're rubbish with money, you'll always be rubbish with money.
- You can't gain control of your finances.
- A high income automatically makes you more wealthy.
- You can only save if you earn lots of money.
- It's too late to start saving.

- It's normal to have a lot of debt.
- Only rich people can invest.
- Other people are doing better financially than you.
- Pensions aren't safe or are a waste of time.
- You need to have a job you love.

ACTIVITY

After each chapter, I'm going to set an activity based on what you've learned to help you in a practical way.

Before you go any further, I want you to visualise what you want to achieve by reading this book. The more specific your goals are, the better. For example, 'I want to buy a house' is a very general goal so it will be hard to mark your progress and keep focused. Something like 'I want to save £20,000 towards a deposit in three years' is better – it's specific and has a time frame attached so you can easily measure your progress.

When things get hard, having a clear goal to anchor you is really important. Keeping your goal in mind helps you to stay motivated and reminds you why you're doing what you're doing.

Visualisation techniques are used by the most successful people to help them reach their goals. Your brain is constantly using visualisation in the process of simulating future experiences. This happens naturally and you probably aren't aware of it (unless you have anxiety like me and a brain that likes to imagine every potential disastrous future situation!). Using this knowledge, you can hack the process and visualise the goals and steps you need to take to be successful. It will help you to direct the process, rather than be passive. It's going to improve your motivation and increase your belief in your ability to reach your financial goals.

Breaking goals down into smaller, more achievable tasks means you are much more likely to stick with it. It doesn't matter how you do it but remind yourself daily of your goal. Try some of the techniques below and see what works for you.

Shut your eyes and picture your dream scenario vividly – imagine opening your own front door for the first time, or going on your ultimate holiday.

Collate images of the things you want and put them where you can see them every day. You could cut them out of magazines and make a collage, or save images as your phone home screen.

If you're someone who likes to see and track data, put your financial goals in a spreadsheet and update it regularly to watch as you get closer to achieving your goal.

Once you have a goal in mind, think about the chain of events that needs to happen and use the techniques in this book to get you there.

Remember, small steps over time = big changes.

2 YOU'VE GOT TO MAKE A BUDGET

This is where it all starts. Budgeting means that you will always have enough money for things you need and the things that are important to you.

The term has got a bad rap, which is a shame, as people think if you budget, you won't be able to have or do something. But it's the opposite – I promise.

You can spend years trying to save and balance the books. Something that takes effort and headspace – and will get you absolutely nowhere if you don't have a proper plan in place. Trust me – I half-heartedly saved for about eight years before I got it together. When I did, I achieved my saving goals relatively quickly.

If you're like most people, you probably aren't keeping to a budget right now. I'm going to convince you to change your ways and you're going to thank me for it.

TIME TO BE HONEST

Let's be real for a second. A budget only works if you are honest about both your income and expenses.

It's really easy to avoid facing facts or lie to yourself about what's coming in and what's going out.

If you're going to be collaborating with someone else to reach your financial goals, this might mean you need to have tough, non-judgemental conversations with someone else and plan how you want to move forward together.

This bit might be painful, but once it's all out in the open, you can begin to make proper changes and plan for the future.

Keep your eyes on the prize! It's hard to do anything without a clear endgame. So spend some time working out exactly what you want and how much it's going to cost you.

SET SOME GOALS

What's your dream? Is it to become a millionaire? Go on incredible holidays? Save up for a deposit on a house? Stay on top of your bills every month? Or get rid of some debt?

It's pretty basic but I remember my first boss having a Mulberry bag and I was obsessed with it. I was working and earning money (hardly any!) but decided I was going to budget to buy one of my own. That way, even though I was someone without a lot of money, I could buy my dream bag and enjoy it completely guilt free.

Because, let's be real here: spending money you know you can't afford only feels good for a little while. If you budget for something it feels great because you get the thing you wanted, plus a dose of pride for doing it without hurting your wallet.

I'm going to bet that you're haemorrhaging money in unexpected places. There will be surprises. As you use cash less and less and use debit or credit cards more and more, it's pretty much impossible to keep track of what you're spending on a daily basis. Also, contactless is the devil! It makes it so easy to spend small amounts without thinking about it because you don't even have the physical act of entering a PIN to remind you. It's far too easy to quietly slip into your overdraft or use your credit card and risk losing control of the situation.

Oh, and don't get me started on Buy Now Pay Later schemes (BNPL). I can't stand them! I'll talk more about why they are the worst thing you can do in chapter six but for now I'll just say, if you want something, budget for it.

When talking about budgeting I have to mention a couple of points about debt. Budgeting is a great way to stop you getting into debt, and the only way you're going to get out of it.

When you can see exactly what money is coming in and where it's going, it's much more difficult to slide into debt. And if you can see when you're heading towards a problem, you'll know what steps you need to take to stop it. You can't deal with a problem you don't know about.

If you're worried about debt, get free and impartial advice. It doesn't matter how small or huge the debt is, charities such as StepChange and Citizens Advice can help you.

I used Citizens Advice myself when I was stressed about debt and they were able to stop interest accruing on my bank loan, which was a huge help. See chapter seven for more on debt management.

CITIZENS ADVICE

Visit the website to find services in your local area, make an appointment or speak to a debt adviser online:
www.citizensadvice.org.uk

Contact an adviser through their national phone service:
Adviceline (England): 0800 144 8848
Advicelink (Wales): 0800 702 2020
Advice Helpline (Scotland): 0800 028 1456
Advice NI (Northern Ireland): 0800 915 4604

WHAT YOU NEED TO GET STARTED

Hopefully I've done enough to convince you that a budget is essential, so let's get started.

1. ***Gather Your Financial Information***
We're talking bank statements, bills, payslips and so on. The last three months are a good place to start. If you're freelance or self-employed with irregular pay, choose your lowest paid month and base your budget on that so you don't get caught out. If you don't have this paperwork to hand, don't worry – an estimate will be enough for now.

2. ***Calculate Your Income***
If you are employed and have a regular income, this will be easy. On your payslip, look for your take-home pay (sometimes called 'net pay'). This is your salary once income tax, student loan repayments, National Insurance, pension contributions and so on have been deducted. This is the amount that will actually go into your bank account and is the money you've got to save or spend.

If you have a side hustle (see chapter eight for more on this), include your average earnings in your budget, too. And don't forget about income from any benefits.

3 Create a List of Monthly Expenses

Go through your bank statements and write down how you spend your money. It's helpful to split your outgoings into categories so you can see exactly how your money is split between necessities and extras.

If you're self-employed you should set aside money every month to pay your tax bill at the end of the financial year, so make sure you factor this into your expenses.

Let's look at an example of monthly expenses:

BILLS

Rent	Water	Council Tax
Gas & Electric	Broadband & TV	Mobile Phone

PAYMENTS

Car Insurance	Credit Card

ENTERTAINMENT

Pub	Eating Out	Gym
Cinema	Netflix	Festivals

SHOPPING

Clothes	Gaming	Supermarket

4 Fixed vs Variable Expenses

Now you have a list of your expenses, note whether they are variable or fixed. 'Fixed' means you pay the same amount every month. Typical fixed expenses are mortgage or rent payments, phone bills and so on. Set up Direct Debit payments for these expenses so you don't miss a payment and run the risk of a late payment charge.

'Variable' means the amount you spend will vary month to month. Typical variable expenses are money you spend on eating out, new clothes and so on.

5 Do Some Maths

Add up your total income and total expenses and see what the difference is. If you're spending more money than you are bringing in, take a look at your variable expenses and see what you can cut down or out altogether.

Cutting costs doesn't mean you have to stop having any fun. You just need to find ways to do what you love for less – see chapter 10 for more on this.

6 Monitor and Adjust Your Budget

A budget shouldn't be set and then never referred to again. Your budget will need to adapt and change as your goals or circumstances change.

Want to go on holiday? Add a savings goal to your budget and cut down in another expense to make up the difference.

THE 50/30/20 SYSTEM

My favourite way to budget is the 50/30/20 system. It's really simple and you can play around with the percentages to see what works for you.

50 percent of your income goes on needs
This is everything you have to spend money on such as rent or mortgage payments, bills, food and transport.

30 percent of your income goes on wants
This is the fun stuff! It can include holidays, eating out, going to the cinema, shopping and so on.

20 percent of your income goes on saving or debt
You should always prioritise debt before savings, see chapter seven. For more on how and where you can save, skip to chapter four.

If your monthly net income is £1,500 you might spend:

£750 on needs
£450 on wants
£300 on saving or debt

Everyone's situation is different so this system can be adjusted to suit you. If you live in an expensive city, for example, you might have to allocate a bigger percentage to 'needs' and cut back on 'wants'. If you live with your parents and pay little or no rent, whack up the 'saving' percentage.

It's tempting to cut back on the 'saving or debt' percentage rather than 'wants' but it's always good to prioritise paying off debt or saving to avoid problems later down the line. This category also includes your pension contributions, which, as I'll go into in chapter five, are important for the future.

When you first start budgeting, try changing up your percentages every few months until you find what works best for you.

TOOLS TO MAKE LIFE EASIER

Now you have a budget in place, there are lots of tools out there that do some of the hard work for you. They vary from the simple, where you enter expenses to discover where you spend the most, to the complex, which include a complete interrogation of your finances and saving recommendations.

A Note on Financial Tools

Any tool that helps you to switch providers will be making money, even if there is no cost to you. You should be switching regularly (I'll go into this in chapter 11) but don't assume they are offering the best deal for you, always do your own research.

Below are the most popular tools and apps that have a good reputation and security protection. Most use open banking, which means you give them access to your bank statements – so if you decide to go your own way and use different apps, make sure they are trusted and secure.

FREE TOOLS

Emma (app)
Emma uses open banking to combine information from all of your bank and savings accounts, credit cards and investments. You can track your spending by category, manage bills and subscriptions, set monthly budgets and money goals, automatically categorise transactions, find and cancel transactions, and get weekly spending reports. And that's just the start of it, it has all the bells and whistles.

Be aware that this app has a paid-for version called 'Emma Pro', which offers tools such as calculating your net worth (why?!) and exporting your data. You might be nudged to upgrade from time to time.

MoneyHelper (online tool)
If you're not looking for anything too complicated, keep it simple with the MoneyHelper tool. This has been created by the Money and Pensions Service, which is sponsored by the government. It puts you in control of your household spending and analyses your accounts to help you take control of your money.

Money Dashboard (app and online tool)
Money Dashboard also uses open banking to connect all of your financial interests in one place. Unlike other tools, it doesn't let you move money between accounts but it will help you keep track of your money. Money Dashboard also comes with a decent community area where people can ask questions. This is useful if you have a technical query.

PAID TOOLS

You Need A Budget (YNAB)
Some of the best personal finance experts I know use this and swear by it. You have to pay for it but there's usually a free trial so you can test it out and see if it works for you.

At the time of writing, the monthly plan costs $14.99 a month, which you can cancel any time, and the annual plan is $98.99. YNAB says that, on average, new users of its app save $600 in their first two months. Of course, YNAB wants you to sign up so take that figure with a pinch of salt.

Along with everything you can expect from a budgeting app, YNAB also offers over 100 live money workshops every week and personal one-to-one support online. You can also connect with other users of the app so you can budget together. This is especially useful if you and a partner are trying to save for common goals.

YNAB is currently the only paid-for tool I'd recommend as many free tools are brilliant and do enough for most people.

It's worth seeing what budgeting tools your bank offers too, though they might be limited compared to other apps on the market.

ACTIVITY

This is a no-brainer! Use the information in this chapter to set up your own budget. Be ruthless and honest with yourself about your spending to make it worthwhile.

Once you have set up a basic budget, leave it for a day and come back to it with fresh eyes. Look over it again and see if you're still happy with how you've split your expenses, savings goals and so on.

3 BANK ACCOUNT BASICS

Let's talk banking. You probably have a number of bank accounts but do you know how they differ? Do you understand the terminology and are you maximising your earning potential?

I'm going to take you through everything you could possibly want to know about current and savings accounts. You might think it's pretty simple, but there are lots of options out there and picking the right accounts for you is important. Getting it wrong can mean you're not making as much money as you could be.

You might be looking at your accounts thinking, 'What's the problem? These seem to do the job.' But I'm here to show you how to maximise your money!

KEY TERMINOLOGY

Before we get into different types of bank accounts, let's go through some key terminology. Banks often make things harder than they need to be – they're actually pretty simple when they're explained properly.

Account number
This is your bank account's unique number.

AER
Stands for Annual Equivalent Rate. It's a type of interest rate on savings and shows you how much interest you can earn on your account. This is not to be confused with APR or 'gross interest rate'.

APR
Stands for Annual Percentage Rate. It is the official rate, expressed as a percentage, which helps you understand the cost of your borrowing.

ATM (Automated Teller Machine)
a.k.a. cash machine (does anyone in the UK call it an ATM?). You can withdraw cash, pay in cheques and notes, pay bills and get a bank statement. You can also stand in line forever wondering what on earth the person in front of you could possibly be doing because it takes 30 seconds to get out a tenner. ATMs are generally free, but there are ones that charge a fee.

Available balance
Your available balance is the money you have to spend. This includes

any pending payments and excludes any cheques that haven't cleared yet. Some banks will include your overdraft limit in your available balance and some won't. Check with your bank to avoid any confusion – and overspend!

BACS payment
Stands for Bankers Automated Clearing System, which is a system for sending money electronically between banks. It's mainly used for Direct Debits and direct credits from organisations. It's typically used for making regular payments, such as salaries, pensions, state benefits and tax credits.

Balance
Your current account balance is the amount of money you are either in credit or overdrawn.

Bank statement
A summary of financial transactions that occurred at a specific place and time. It will show you deposits and withdrawals (and that you spend too much on takeaways).

BIC
This stands for Bank Identifier Code and is the number that identifies your bank. You'll need this if you want to send or receive money outside the UK.

Cheque
A cheque is a written order, addressed to a bank, instructing them to pay an amount of money to the person or organisation named on the cheque. They are hardly used any more but you never know, you might get one from your granny or find Jeff Brazier turn up at

your door because you've won the Postcode Lottery. Government organisations still tend to use cheques, such as HMRC or the DVLA.

Compound interest
This is interest on money saved, plus interest on any interest already added. It's a little complicated to understand, but I'll go into why this is so brilliant later in the book (it's how you'll earn free money from the bank).

Contactless payment
Most cards allow you to pay by touching it on a card machine. You can also use contactless payment through your phone, if you've set this feature up.

Credit
Credit in your bank account is money you have available, whereas credit on a **credit card** is money you owe. It's the same term, so it can be confusing.

Credit card
A card that is issued by a lender (a bank or building society) that allows you to buy items on credit. It is used in the same way as a **debit card**, but a credit card uses the bank's cash and they will bill you later. You pay back the amount you borrowed either in full or in monthly repayments. If you don't repay in full, you'll also have to pay interest. A credit card will have a **credit limit**.

Credit limit
This is the amount of money you are allowed to borrow. It's not a target, but the maximum you can spend. Lenders decide how much to loan you based on your **credit score**.

Credit score
Your credit score measures your reliability at paying back debt. Banks and lenders will check your score before deciding whether to accept you as a customer. Be aware that if you apply for too much credit in a short period of time, it will negatively impact your credit score, which will affect a lender's decision.

Creditor
A person or company to whom you owe money.

Current account
This is a type of bank account that helps you manage your everyday money and expenses. Payments like your wages, benefits and tax credits will go into it, and you can withdraw cash and transfer money out.

Debit
When your account is in debit, it's overdrawn. Your account is 'debited' when money is withdrawn from it.

Debit card
You can use a debit card to make cash withdrawals from **ATMs** as well as pay for items in person, online or over the phone. The money is automatically taken from your **current account** when you spend it, so you must have enough money in your account or agreed **overdraft** to cover the transaction (or you're going to get the awkward 'Sorry your card has been declined' moment).

Debtor
A person or company who owes you money.

Default
This means that someone has failed to do something that they had agreed to do. For example, if you don't pay a bill on time you have 'defaulted' on the payment.

Deposit
Money paid into your account – as in 'making a deposit'.

Direct Debit
A payment from your bank account to another account on a specific date, recurring date, or dates set by yourself and the recipient. Unlike a **standing order**, the amount paid by a Direct Debit can be changed by the recipient, but they have to give you notice of this.

EAR
Stands for Equivalent Annual Rate. This is the rate you would pay on your overdraft if interest was charged annually on the amount you owe. EAR doesn't take into account any fees.

Equity
This is the value of something (such as a house) less money owing on it.

Fiscal
This word is used to describe the finances controlled by the government. You'll hear it a lot around the Budget when the government decides how it's going to spend the country's money over the financial year. A fiscal policy might be the price of booze going up as the tax on alcohol rises.

Fixed interest rate
This is an interest rate that does not change during the life of the loan (or savings account).

Foreign exchange rate
The exchange rate is the value of one currency compared to another. It's why you feel like a millionaire when travelling to Thailand, as you get around 45 Thai baht for 1 GBP.

FSCS
Stands for the Financial Services Compensation Scheme. It's a government-backed scheme that protects you from losing money (up to £85,000) if authorised financial services go bust.

Guarantee
A guarantee is sometimes needed before a bank will lend money to a customer. Another person, called the guarantor, signs a contract with the bank stating they'll cover the debt if the **debtor** fails to pay. The guarantor is often a family member, which can cause a lot of heartache if the situation goes wrong.

IBAN
This stands for International Bank Account Number. It identifies accounts held at any bank in any country. You should be able to find your IBAN on your bank statement.

Income tax
Income tax is calculated according to how much income you earn under various categories. It's used to fund public services, such as the NHS, police, welfare system, libraries, culture, housing and education.

Inflation

This is the name for general price increases. Each year the price of everyday stuff goes up. It's why a house cost £6,000 in the 70s and now is unaffordable for a lot of young people. Your wages should go up every year to match inflation, so you have the same living standard. If they don't, you are effectively losing money.

Inheritance

This is a financial term to describe the assets passed down to individuals after someone dies. This often includes things such as property, cash, stocks/shares, jewellery and antiques but it could be anything valuable.

Inheritance tax

This is the tax charged on the monetary value of everything acquired by either gift or inheritance (including property).

ISA

ISA stands for Individual Savings Account. These are savings accounts that are available to all UK residents over 18 (or 16 for a cash ISA). You don't have to pay tax on money your ISA earns, unlike with regular savings accounts, so it's a legitimate tax loophole. Junior ISAs are available for under 18s. In the 2021/22 tax year, your ISA allowance is £20,000.

Joint account

This is a bank account held by more than one person.

Limited company

A limited company is a form of business that is legally separate from its owners and managers. In the UK it must be incorporated

at Companies House. It must make all its returns public. This means that if the company is sued (even if it only consists of one person), the company is liable, not the person or people within it, so nobody's personal assets are on the line. An alternative way to structure a business is by being a **sole trader**.

Mortgage

A mortgage uses a property as security for a debt, most often used to purchase the property. If you can't make your mortgage payments, the result may be that the bank or building society takes your home off you. The amount you can borrow is based on your salary, the deposit you have and the value of the property.

National Insurance (NI)

This is a tax on your earnings that helps pay for and gives you entitlement to some state benefits, which include a State Pension, statutory sick pay and maternity leave. NI is automatically deducted from your monthly pay by your employer, or if you're self-employed, you'll need to pay contributions through your self-assessment tax return.

Net interest

This is interest that has had **income tax** taken off it.

Overdraft (arranged)

Most current accounts allow you to apply for an arranged overdraft. This means you and the bank or building society agree in advance that you may want to borrow money when there is no money left in your current account. The arranged overdraft limit, which is the maximum amount you can borrow, is based on your credit rating and how much you can afford. There's usually a cost for using an arranged overdraft (but it's a lot cheaper than going into an unarranged one) and this comes in the form of interest or sometimes fees.

Overdraft (unarranged)
If you go over your overdraft, it becomes 'unarranged' and the cost of it will sting, so keep an eye on it if you're getting close.

Pay (Net and Gross)
Your gross salary will usually appear as the highest number on your payslip. It's the number that your employer pays you based on your agreed upon salary. Your net salary is what you take home after your contributions (such as a pension) and taxes are deducted from your gross salary.

Payee
The person or company you're paying.

Payer
The person who makes a payment.

Pending transactions
Payments or deposits you've made that haven't yet come out of your bank balance. When checking your **balance**, it's important to consider pending payments as it can look like you have more money in your account than you do.

Personal allowance
Everyone gets a **tax allowance** on their earnings, meaning there is an amount of income you do not have to pay income tax on. This amount depends on personal circumstances but is currently £12,570 for most people earning less than £100,000.

Recurring transactions
This is an agreed payment where a business can take money from your debit or credit card when needed.

Savings accounts
These accounts pay you interest on the money you keep in them.

Security
This is something of value (a property, for example), which is pledged to a bank by the person wanting to take out a loan. If you fail to make the payments, the bank will take the security and sell it to repay the debt out of the proceeds of the sale. You can get loans where you don't need security – these are called unsecured debts. **Credit card** debt is usually unsecured.

Sole trader
This is someone who runs their own business as an individual, often referred to as self-employed or freelance. They don't have business partners and they do not trade through a company.

Sort code
This is the six-digit number (often on your debit card) that identifies your bank branch.

Stamp Duty
This is a tax on the transfer of documents for certain types of transaction. The biggie is when buying a property.

Standing order
A regular payment you make from your bank account. It's different

from a Direct Debit as the amount paid by a standing order is fixed, and you're the only one who can change the amount. Standing orders are often used to pay rent.

State Pension scheme
The government pays a basic State Pension to everyone who has paid the minimum National Insurance contributions when they reach the State Pension age. It's nice to have, but really not enough to live on so you're likely to want to supplement this with other money, such as a private pension, savings and/or property.

Statement
Your bank statement shows all the transactions that have taken place over a set period. It also shows any interest and fees that have been added to or deducted from your account. These can be physical but most people now view them online.

Statutory Sick Pay
Employers must pay this to employees who are off work because they are unwell, currently for up to 28 weeks. The government sets the rates.

Stock exchange
A stock exchange (or stock market) is a market for stocks and shares. Organisations can raise capital by selling securities through a stock exchange.

Stockbroker
A stockbroker buys and sells stocks and shares for clients on the stock exchange. They could be a firm or an individual and will charge a fee to do this.

Tax allowance
Taxpayers are given tax allowances to reduce the amount of tax they must pay. The allowances are taken off their income before the tax is worked out.

Tax avoidance
This is something you might hear about in the news. It is a legal way to reduce the amount of tax you need to pay. There are levels to this, of course: you can open an ISA to avoid tax on savings, or you can go full millionaire and get yourself a bank account in Monaco.

Tax evasion
Don't do this one – it's illegal. This is hiding how much you earn (like being paid cash in hand), so you don't have to pay any tax.

Transfer
This is when you send money between your own accounts, for example, from a current account to a savings account.

VAT
Value Added Tax. Most traders in the UK are registered for VAT. This means that they must charge customers VAT (20 percent on all purchases) on any goods and services they supply that are not VAT exempt. This money then goes to the government. You won't notice this day to day unless you're at a shop like Costco, which doesn't add VAT until you're at the till so you get a nasty surprise when your rotisserie chicken is 20 percent more than you thought it was.

Will
This really isn't just for the oldies out there, it's a legal document that people use to bequeath (leave a gift of) money and property

when they die. If you have anything valuable, or you're in a relationship or have children, it's definitely something you should consider getting.

Withdrawal
Taking money out of your account.

CURRENT ACCOUNTS

When people talk about bank accounts, they probably mean current accounts. It's a type of bank account to help you manage your everyday money and expenses.

A current account is the centre of your financial world. It will be your hardest-working bank account, so you need to make sure you understand what it can do and what it's not good at (spoiler alert… keeping large amounts of money in there – move it where you'll earn interest!).

It's where you'll receive all your money – wages, pension income, benefits or credits. It's also where money comes out – rent, bills, Direct Debits, money to family and friends and so on.

To open a current account, you have to be a UK resident, have a UK address and be aged 18 or over. You can have as many current accounts as you like and there are different types you can apply for, see more later in the chapter. If you're under 18, a children's bank account might be best for you.

When you open a current account, you are usually assigned an eight-digit account number, a six-digit sort code and a debit card, which means you can access your money. In the old days, you'd get a cheque book automatically, but now you have to ask your bank to send you one.

You can deal with your finances in a branch (though good luck with that as they keep closing them down), over the phone or via video banking. Most current accounts can also be accessed through the bank's app or online banking website, so you can usually do your day-to-day banking from a smartphone or computer. A lot of new banks, such as Starling or Monzo, are completely online based.

All banks or building societies will ask for proof of your identity and address before you can open a bank account. This can be a bit difficult if your name isn't on bills and it can take time to get paperwork sorted out. It's always worth having something in your name, such as a phone bill, for this purpose. If your current account comes with an overdraft facility (most do), then the bank will also check your credit score before it accepts your application.

Not many people know this, but if you're someone who is in a women's shelter and has no way to get ID and the paperwork needed, some banks will accommodate you and get you set up with a bank account.

Just because you have a current account with a bank, doesn't mean you have to do all your banking with them. You might find them trying to sell you other products or accounts. Be aware it doesn't always seem like selling and they often present it as 'advice'. As always, do a bit of research to make sure you're getting a good deal and are not being talked into financial products you don't need or don't suit your circumstances.

Because banks want you to join, they may offer you incentives like opening bonuses, free cinema tickets, insurance, cashback and so on when you sign up. These benefits are worth taking into account but shouldn't be the only reason you choose a bank.

If you don't have the capability to deal with your finances, the bank can allow a trusted person to bank on your behalf. There are a few ways to do this, which can be useful if you get ill or are unable to deal with your finances. Contact your bank and see what they offer. If you go down this route, make sure it is someone you really trust as it can open you up to financial abuse.

ARE CURRENT ACCOUNTS FREE?

Sort of... They are generally free but there are some fees you might see on your current account statement.

Unplanned overdraft interest
You are charged interest if you go into any unplanned overdraft – it's an expensive way to 'borrow' money.

Charges for refused Direct Debits and standing orders
If there's not enough money in your account to cover this, you might get charged up to £25. You should get a text from your bank or building society first, giving you time to put money in your account before being charged.

Foreign transaction fees
There are sometimes fees for using your account and debit cards abroad.

Admin charges
You may get charged for bank references, banker's drafts or duplicate statements.

Overdraft fees
Overdrafts can be one of the most useful features of a current account. They can be a cheap and easy way to get short-term credit if you have the right interest rate. That said, as they are a form of debt, they are always subject to your current financial circumstances and credit history.

Unplanned overdrafts (when you go over your overdraft limit or spend more than is in your account) are incredibly expensive and can cost you more than a typical rate for a personal loan. Not that long ago, you'd get an automatic £30 charge at some banks for going over your overdraft. Banks would really take advantage of the poorest people with extortionate charges. However, these days, current accounts now have a Monthly Maximum Charge (MMC) in place. This is the maximum amount you have to pay each month in fees, charges and interest.

It's really easy to think of an overdraft as 'your money'. I lived in my overdraft for about six years – I was never out of 'debt' but didn't think of it like that. In my head, it was only a problem when I went OVER my overdraft. If your overdraft interest is 0 percent, there are worse forms of debt, but it's important to think of it as debt. I can't tell you how good it felt to leave my overdraft behind.

JOINT ACCOUNTS

I've got quite controversial opinions on joint accounts and plenty of people disagree with me. But here's my opinion: there's no way I'd ever get a joint account. I believe you have to look out for yourself when it comes to your finances – be hardheaded and take emotions out of it. Opening a joint account links you to someone financially, which makes it easy for that person to bring you down or take advantage of you.

I think any financial expert worth their salt would tell you to never get a joint account with flatmates. Missed payments, unarranged overdrafts and bad credit will all impact your financial health negatively. There are safer, and more sensible, ways to sort out bills.

I've been with my boyfriend for over 15 years. We have a baby and I trust him with my life – but we still don't have a joint account. I don't see the point. You can do all the things you need to do without one. I understand why you may want one if one of you earns much more than the other – but apart from that, why risk it?

I think we can be a bit sentimental at times. I know we all think our partners are brilliant, but over 50 percent of marriages end in divorce and many more relationships go wrong. I used to write for newspapers and would talk to people who had lovely relationships but woke up one day with their partner gone, all the money emptied out of their account and in a load of debt. They didn't see it coming. Protect yourself.

That being said, there are plenty of other financial experts who think differently and would say that the pros of a joint account are:

- It simplifies your joint finances, for example rent or mortgage payments, bills and so on.
- It makes it easier to track spending.

Of course, it's up to you. I think if you could do without one then you shouldn't bother but if not, make sure you really trust whoever you're setting up a joint account with.

TYPES OF CURRENT ACCOUNTS

Standard Current Account
This is the most common type. They do everything I've already outlined and are typically free. A credit check may be required to open one.

Basic Bank Account
These are free, limited accounts for those who are not able to have a standard current account. For example, you may struggle to open a standard current account if you've recently been made bankrupt. These accounts are somewhere you can receive wages or benefits and pay bills. You wouldn't be able to get an overdraft. Usually, you can't simply apply for one of these but have to be recommended by your bank after applying for a standard current account.

Packaged Account
Also known as a premium account. This type of current account comes with some swanky perks in return for a monthly fee. Perks may be a better interest rate, car breakdown cover, mobile insurance cover, retail discounts and so on. Packaged accounts typically range from £2 to £20 a month.

Student Account
These are for students, obvs. They tend to come with an exciting, yet dangerous, interest-free overdraft (it's all good until you graduate and you now owe a load of money – with interest!). They'll often offer things such as rail cards or gift cards to entice you to sign up.

Children's Account
Designed to introduce children and teenagers to everyday banking. They're a lot like basic bank accounts with limited functions.

HOW TO PICK A CURRENT ACCOUNT

If there's one thing to remember when it comes to current accounts, it's that you should switch if it's not working for you. Your needs will change, and loyalty doesn't pay.

It's super easy to switch current accounts these days, as UK banks offer a seven-day current account switch guarantee, so switching bank accounts should be simple.

Things to consider when choosing a current account:

- Are you a student or are you going to be?
- Are you always in your overdraft? If so, you'll want to make sure the interest charged on it is 0 percent.
- Are you always in credit? If so, you want one that pays interest.
- Do you have a really bad credit rating? You might want or need a basic account.
- Do you want a joint account?
- Do you want specific rewards, such as opening bonuses or cashback perks?

- How important is customer service to you?
- How does the bank or building society treat customers with mental health issues?
- Do you travel a lot? Some accounts have travel benefits such as travel insurance.

Once you know what is important to you, research and compare current accounts from different banks. Websites such as Money Saving Expert and Which? offer clear and simple comparisons.

SAVINGS ACCOUNTS

Savings accounts are very different from current accounts. Your current account is supposed to be busy. You're probably dealing with it every day. Money is going in, and money is going out. With a savings account, the ideal is for you to leave your money in there for as long as possible. This will let it build up and earn interest.

Opening a savings account, and committing to regularly putting money in it, is a great way to start building up a savings pot that could be used for all sorts of good things.

Savings accounts normally have higher interest rates than current accounts, but, generally, you can't access your money as easily. You won't be able to use a debit card or cheque book and you might have to let your bank know in advance if you want to take money out of the account. Apart from earning interest, putting money in a savings account can help you avoid the temptation to spend it.

You don't have to have your savings account with the same bank as your current account but it can make it easier to have everything in one place. It's not the best reason to pick a savings account but it's a good option if you want to keep things as simple as possible.

Your money is safe, too (assuming I don't have super-rich people like Jeff Bezos reading who have more than £85,000 stashed away). The government decided to guarantee personal deposits in UK banks through the FSCS (Financial Services Compensation Scheme). This ensures that customers will receive up to £85,000 of their deposit from any banking group that goes bust.

Almost anyone can open a savings account, as long as you are a UK resident. Some accounts require a minimum opening deposit while others may involve a minimum monthly contribution.

Personal Savings Allowance

Here's a good thing you might not know – you have a savings allowance that lets you earn a certain amount of interest on your savings before you need to pay any tax:

- If you're a basic-rate taxpayer, you can earn at least £1,000 worth of interest before paying tax.
- If you're a higher-rate taxpayer, you can earn £500 worth of interest before paying tax.
- If you're an additional-rate taxpayer you do not qualify for personal savings allowance.
- Any interest you earn above your personal savings allowance will have tax deducted.

Some savings accounts mean you can get around paying tax. They are called ISAs. I love them. You should get one and love it, too.

TYPES OF SAVING ACCOUNTS

Different savings accounts have different rules about paying money in and taking money out. Picking the wrong one could cause trouble. If the point of your savings account is to provide an emergency fund, you don't want one that locks away your money for years and charges you a fortune to get access to your cash.

The more you save, and the longer you save for, the more important it is to pick the right account. Different types of accounts offer different ways to access your money, as well as different benefits.

Cash ISA

A cash ISA means all interest you earn is tax-free so you can get more for your money. This interest will be paid monthly or annually, depending on the account.

Everyone has an ISA allowance, set by the government, which is the most you can save in an ISA each tax year (which starts and ends in April). For 2021/22, the allowance is £20,000. Once you hit this limit, you will have to use another type of savings account in order to save more money. Some non-ISA savings accounts let you save up to £5 million every year but don't have the same tax benefits.

You can have a cash ISA along with another savings account, but you can only have one cash ISA. It's not an either/or situation but the general rule of thumb is to max out the amount you can put in your ISA before moving on to another savings account. It's important to note that if you plan on moving accounts, get the new provider to switch it over rather than taking the money out yourself to move it, because done incorrectly, your money could lose its tax-free status and you'll end up with a bill.

It won't cost you anything to move your money to a new account with the vast majority of cash ISAs, but there are some exceptions with fixed-rate cash ISAs where you might lose interest accrued if you move the money earlier than you agreed to.

Stocks and Shares ISA

With a cash ISA, you get a fixed rate of interest in return for depositing your money at that bank or building society. A stocks and shares ISA gives you all the tax benefits of a standard cash ISA, but a stocks and shares ISA doesn't pay a fixed interest rate.

With this type of ISA, you invest money (up to £20,000 per tax year) on the stock market, such as the FTSE 100. As markets rise or fall, so does the value of your investments. This means you can get back less than you put in it, but your money also has the potential to grow further than in a cash ISA. Read chapter nine for more information on investing.

Lifetime ISA (LISA)

If you want to buy your own home, you should seriously consider a Lifetime ISA (LISA). It is designed to help those saving for a first home and retirement.

Here's why it's really good: the government will pay you an annual bonus of 25 percent (capped at £1,000 per year) on any contributions you make. That's free money. A lot of it, too. So if you

put in £4,000 across the tax year, you will receive £1,000 for free.

Money can be withdrawn tax-free at any time to buy your first home worth up to £450,000. You can also take out the money, tax-free, once you're over 60, for any reason you like.

However, if you want to spend the money on anything other than your first property and you're under the age of 60, you'll be hit with a 25 percent penalty when you withdraw your cash. That's a lot of money to lose.

You are currently able to put £20,000 into ISAs each tax year. It doesn't matter what type, or how many you have, you can split that cash between them however you like. For more information on the LISA, check out chapter 14.

Easy or Instant Access Accounts

These accounts allow you to pay in and take out money whenever you need to. The downside to these accounts is that you'll get a lower interest rate. They are nice and simple though, so are a good starting point if you're not confident when it comes to saving, or you need easy access to your money.

Regular Deposit Account

A regular deposit account rewards you for paying money in every month. You'll get bonus interest for every month that you pay in a certain amount. With some accounts, you'll lose this bonus if you take money out.

These deals are often time-limited, which means that after a year you go back to a lower interest rate.

It's a really bad idea to set one of these up if putting in the amount needed every month is going to be a struggle. Leave yourself lots of wiggle room. If you're not sure you can save the same every month, consider sticking with an easy-access account which will give you more flexibility.

Fixed-term Bonds

With a fixed-term bond, you put money in an account for a fixed length of time at a fixed interest rate, which means you know exactly how much you'll end up with at the end of that specified time. You'll need to lock away your money for a set amount of time – usually one to three years. The interest rate is usually better the longer you lock your money away for. However, you'll have to pay a fee if you want to take your money out early.

This is a particularly good option if you have a long-term savings goal in mind and won't need access to your money.

Notice Account

These accounts ask you to let the bank know in advance (get it – you give 'notice') if you want to take money out.

Normally, you'll get more interest the longer the required notice – so an account that asks for 30 days' notice will give you a better rate than one that asks for seven days. If you want to get your money out without giving notice, you'll have to pay a fee.

Limited Withdrawal Account

A limited withdrawal account lets you make a certain number of withdrawals each month. If you make more than this you'll have to pay a fee.

HOW TO CHOOSE A SAVINGS ACCOUNT

This will of course depend on what's going on in your life, how much you can afford to save and if you need easy access to money. It's important to keep an eye on your savings – know what your interest rate is and switch accounts if a better deal is on offer, as long as moving won't incur any fees.

When it comes to banking, you aren't rewarded for your loyalty and new customers normally get the best deals, so it's worth switching. Figure out what's important to you and consider:

- ***Convenience***
  How easily do you need to access your money?
- ***Savings goals***
  Can you trust yourself to not dip into your savings?
- ***Potential earnings***
  Do you want to make as much money through your savings as possible?
- ***Deposits***
  Can you afford to add regular payments or will they be more ad hoc?

As with your current account, once you've decided on your preferred method of saving, use comparison tools on trusted websites to find the best deal. Offers change regularly so keep an eye out for new deals.

ACTIVITY

Now that you know your options when it comes to current and savings accounts, I've got two challenges for you.

Take 10 minutes to see what your current account is offering. Is it pretty basic? Check if other banks are offering incentives to switch (some offer over £100), then make the switch. After all, who doesn't like free money?

If you don't have a savings account, open one up and set up a Direct Debit so money goes in every month. I don't care if it's only £1. Research shows that the key to saving successfully is small amounts put away consistently. Check out the budgeting tips in chapter two to see how much you could put away.

4 SAVING

Budgeting and saving go hand in hand, so if you want financial freedom, you're going to have to master a budget as well as plan and execute saving goals.

Here's the truth about saving (and there are stats and studies to back this up!): small amounts put away consistently are the best way to save.

A couple of quid every single week, something you can afford and sustain for years, is better than throwing in big amounts now and then. That said, if you do come into some cash from a birthday or Christmas, dropping it into your savings account is not going to be a bad thing.

So here's what you need to know about saving, because unless you hit it big with a lottery win or come up with the new Facebook, saving is the only way to get what you want without getting into debt.

YOU NEED A PLAN

It's far too easy to say you're saving but not actually achieve anything. For about eight years I was 'saving for a deposit', which meant I would put a few quid away now and then, but when I was skint would dip into it and end up at square one. It was half-arsed and the goal was too big. If I was honest with myself, I didn't really believe I was ever going to save enough money to put a deposit down on a flat, but it felt good to tell myself I was trying.

Eventually, I wanted my own home enough to make a proper change. It wasn't until I sat down with my boyfriend, crunched some numbers, worked out how much was actually affordable to put away every month, with an end date, that we got somewhere.

So what do you want? Is it a holiday? A wedding? A deposit for a home? Comparison website Compare the Market has some averages that show how much you need to put away. Of course, you can tweak so the numbers work for you.

LET'S SAVE FOR A HOLIDAY

- Median UK annual salary in April 2021 = £31,772
- Monthly salary, after tax and deductions = £2,000
- The average holiday cost = £670
- If saving for one year, this would mean saving £55.83 each month, or slightly less than 3 percent of a monthly salary.

If we're following the 50/30/20 system from chapter two and saving the optimum 20 percent of your salary, this would mean saving £400 each month, and it would take less than two months to save for your holiday.

HOW MUCH SHOULD YOU BE SAVING?

Kate Moss famously said that nothing tastes as good as being thin feels (she's clearly never had a Toblerone) and I'm here to say that nothing feels better than being debt free with a load of cash in the bank. That feeling doesn't disappear, unlike a shopping high.

So how much should you be putting away? As covered in chapter two, 20 percent of your income each month is a brilliant target, which is based on the 50/30/20 budgeting rule. With this method you spend 50 percent of your income on essentials, have 30 percent of your income for fun and save the remaining 20 percent.

You will need to be flexible when it comes to these figures as the world is changing and food, energy and petrol prices are all going up. Make the system work for you by working with what you have.

When I first started saving, that 20 percent included my pension contributions. When I started earning more, I put 10 percent of my wage into my private pension and then saved 20 percent elsewhere. Then when I paid off my student loan, I had an extra 9 percent which I was used to not having, so I decided to invest it.

Do whatever works for you and don't get too hung up on this rule – 20 percent is ideal to start with but it's just not do-able for a lot of people.

The key is putting away whatever you can afford every month, consistently – whatever that percentage is.

Saving Priorities

As much as buying a new car or a holiday feels like a saving priority, it likely isn't. There are things you need to achieve first. It's not fun, but these rules are there to protect you.

Pay Off Debt or Save?

My general rule is to pay off debt before you start saving and here's why. Debt is typically very expensive and saving interest rates (what you can earn from your savings) won't be as high, so interest rates on your debt payments will quickly overtake your savings.

For example, interest made on a savings account might be around 1 percent while interest costs for you on an overdraft could be 5 percent. A payday loan could be as high as 30 percent! You're swimming against the tide here.

LET'S CRUNCH SOME NUMBERS

- You owe **£1,000** on a store card with **30 percent** interest.
- You have a savings account with **2 percent** interest.
- If you were to pay **£250** a month for four months, you'd pay off the **£1,000** debt but you'd also pay **£58.53** interest.
- If you were to save **£250** a month for four months, you'd earn just **£1.67** interest on your savings.

This example shows why it makes no sense to save until you've paid off your expensive debt.

While meeting all minimum payments, pay off your highest interest debt first, then move on to the next highest. Once your debt is all paid off, you can focus on a saving goal. This is the cheapest and quickest way to do this.

That said, and breaking my rule slightly, it is a good idea to have some emergency money put away before paying off all your debt. But it really is for emergencies only, and buying a new outfit doesn't count!

Emergency Fund

In 2019 the charity Shelter reported that 40 percent of renters in the UK are one missed pay cheque from potential homelessness. Just ONE missed pay cheque – could this be you if you lost your job or became too sick to work?

Most people are overconfident when it comes to their financial security. They think that Universal Credit, the Jobcentre, debt and homelessness are for other people, not them.

If your car was written off tomorrow and you had to buy a new one straight away, could you find £2,000? What if your boiler broke? Emergencies happen and even if they aren't big enough to make you lose your home, it's really easy to get into a debt spiral.

We live in a time where we have to create our own safety nets, so you must make sure you could survive for enough time to get your life back together if the shit hits the fan. The general rule of thumb when putting together an emergency fund is about three to six months of wages.

It should cover your rent or mortgage, food and bills. You should know from your budget what your essential costs are so make sure your fund will cover them for at least three months. Put this money away in an easy-access savings account and forget about it until you really need it. Once you've saved your emergency fund, you can then start another savings account.

If you already have money saved that you can immediately set aside into a dedicated emergency fund, that's a great start.

Fuck-off Fund

This is for those of you in relationships or living in a situation where you rely financially, whether fully or partially, on others.

A fuck-off fund (or a freedom fund) is a secret amount of money you put away so that you can quickly leave the situation you are in while you find help or start somewhere new. This amount might be a couple of hundred quid so you can afford travel and a hotel for a few nights, or a few months' rent.

A few years ago, during a health check, a nurse wanted me to get some routine STI (sexually transmitted infection) tests done. I told her there was no need as I was in a loving, committed relationship. She told me that I was to NEVER entrust my health to someone else – it's my responsibility to make sure I'm safe and I'd be naive to assume that I couldn't be let down by the people I love.

That has always stuck with me. And it's exactly the same when it comes to your finances. Just because everything is rosy now, doesn't mean it will be in the future. Consider putting some money aside in a bank account that only you can access, just in case you need it.

THE EASY WAY TO DO IT (THE GAME CHANGER)

The easiest way to save is to do it without noticing. I managed to save £2,700 in a year with something called microsaving or automatic saving. I used the app Chip (which has a paid-for element) but there are lots of other apps out there, notably Cleo and Plum. Some banks, such as Starling Bank and Monzo, offer the service, too.

These apps help you save by rounding up transactions or squirrelling away small amounts of money. The point is, you don't notice the money leaving your account as the amounts are so small.

The best microsaving apps analyse what you earn and your spending habits, then, based on that information, withdraw small amounts of money several days per week. We're talking around one to five pounds per week.

However, most apps charge a fee each month, which will be more than the interest income. It will also be keeping your money in an account with a pretty weak interest saving rate. So make sure to move that saved money every now and then and decide whether the amount you're saving is worth the fee.

ACTIVITY

This is an easy one.

- Come up with a saving goal(s), for example a holiday, a new car or a deposit
- Figure out exactly how much it's going to cost
- Calculate how much you can afford to put away every month and how long it will take (see chapter two for budgeting tips)
- Automate the saving – set up a weekly or monthly internal transfer or a Direct Debit into a savings account to ensure regular saving without having to think about it.

5 WHY PENSIONS ARE FREE MONEY

Buckle up, everyone, we're in for a wild ride with a whole chapter on pensions. Don't skip this bit because you're assuming it's going to be dry – I'm going to prove to you that pensions are exciting stuff. Okay, exciting might be a bit much, but I do love free money, and that's what they are.

Get your pension planning right and you're hopefully (fingers crossed) going to be spending the last 20+ years of your life living it up. It's a long time to not be enjoying yourself. I don't know about you but I plan to spend my retirement in the Caribbean, eyeing up bartenders who serve me strawberry daiquiris. Not shivering in a cold house, cutting out coupons for discounted beans. I have loftier ambitions!

YOU'RE GOING TO LIVE LONGER THAN YOU THINK

How long do you think you'll live? I bet you reckon you'll kick the bucket somewhere in your eighties.

When do you hope to retire? Currently, the date you can claim your State Pension depends on your date of birth and sex. As it stands, most of us will be 68 before we can get it. But the odds are, the age we can claim will go up a few times before we get our hands on the State Pension.

Compare this with your personal pension, which you can technically take out at 55 years old – though this might not be a good idea considering how long you could live.

So, if you think you're likely to die in your eighties, you're probably estimating you'll need about 15–20 years' worth of money.

You've probably never had to think about it before but have you seen the price of living in a nursing home? The average cost is currently £888 per week. Your eyes are not deceiving you, you read correctly – 888 British pounds PER WEEK!

This is why you see old people living on cruise ships. It's literally cheaper for them to float around the Caribbean in five-star luxury than live in a very basic nursing home.

When you're thinking about how many years you need to cover yourself for, you have to be realistic about how potentially

expensive it's going to be.

Right, so if your assumption is that you only ('only' – LOL) need to cover yourself for 15–20 years, you need a completely different strategy if you live, let's say, into your 90s or even 100s. Don't forget that you need to take into account inflation, too – your money has to grow with inflation, or above it, in an ideal world.

At the time of writing, the Office of National Statistics (ONS) says that the most common age to die for a man is 86.7 years and for a woman it's 89.3 years. It also says, and this is terrifying to me, that one in three of today's babies will live to see their 100th birthday.

Which? spoke to thousands of retirees in a survey to see how much they spend every year. They worked out that as a retired individual, to have an 'essentials' lifestyle you need £12,500 each year, to have a 'comfortable' lifestyle you'll need £19,000 and you'll need to aim for £31,000 a year for a 'luxurious' retirement.

I hear this all the time: 'I don't want to pay into a pension because what if I die before I can spend the money? It's money down the drain.' Well, as you've probably realised, it's pretty easy to burn through money in your retirement and it's better to have it and not need it.

There is no more miserable way to spend the last years of your life than cold, hungry and poor. Especially when you are likely used to a better standard of living from when you were working. And even if you die before being able to spend some of it, the remaining money will go to the people you love.

SO WHAT CAN YOU DO ABOUT IT?

Short of finding a billionaire to marry or winning the Euromillions, you've got three options:

- Save more
- Work longer
- Expect less.

Expect Less
I'm not a fan of this for obvious reasons. You don't have to have a miserable retirement – there's always time to improve your prospects.

Work Longer
Urgh, I don't know about you, but I'm already sick of working. I really want to be able to stop working in my 60s, but the truth is a lot of us will be working in some way past retirement to supplement our pension income.

When it comes to working into your 70s and 80s, it really depends on the work you do. I would imagine it would be pretty miserable continuing with manual labour into your 70s – my back is in constant agony from carrying a baby around and I'm only in my 30s.

It's worth bearing in mind that continuing to learn and developing new skills, especially ones that aren't physically demanding, such as selling homemade items, affiliate marketing, tutoring, content creation and so on, could be worth a lot to you in your retirement

if you need or want supplemental income.

Save More
This is the big one and the key here is to start saving for your retirement as soon as possible. In a nutshell:

- Pick the right pension for you
- Pick the right amount to put in it
- Watch compound interest do its thing.

Have I scared you enough yet? Good. Let's get into it.

IS A PENSION REALLY THE BEST WAY TO SAVE MONEY FOR RETIREMENT?

So many people understand that they need to invest money for their retirement, and are willing to, but write off the idea of a pension as being too boring.

With TikTok 'money gurus' (*cough* unqualified bullshit merchants *cough*) encouraging you to throw your money into cryptocurrency and dodgy investment opportunities for big wins, it does feel like you might be missing out by sticking your money into something your granny has.

I find that if I even mention the word *pension* on Twitter or Instagram, all the crypto bros and bots come out of the woodwork to tell me how

I'll never be rich putting my money into a pension.

And yeah, I can't guarantee I'll be rich if I do (it is investing at the end of the day, your money could go up or down) but I can guarantee I'll be absolutely skint if I don't.

Get-rich-quick schemes don't work and you shouldn't take wild risks in unregulated schemes when it comes to your retirement. Like I said, 20/30/40+ years is a long time to be cold and hungry.

SO, WHAT IS A PENSION?

Let's say this up front: when you are paying into a pension, you are 'investing'. It's literally stocks and shares. And as with all investing, your money is at risk. The value of your investments can go up as well as down and you may get back less than you invest. If you are unsure if a pension is right for you, please seek independent financial advice from someone qualified to give it.

A pension is a tax-efficient way to put money aside for later in life. This may sound like a load of words that don't mean very much, but a pension is a tax loophole. And we like a loophole around here.

There are three types of pension:

- Government pension (also known as a State Pension)
- A workplace pension
- A personal pension.

If you've paid National Insurance through employment for 10 or more qualifying years (being on Universal Credit, statutory sickness, maternity leave and so on count as employment), you'll get some State Pension. But don't make the mistake of thinking it will be enough to survive on when you retire.

Most people will then top up their State Pension with a work-based pension. Since 2012 employers have been gradually required to automatically sign their employees up to a pension. This is called automatic enrolment (there's more information on this later). You can choose to opt out of it (please don't), or put more money away every month (please do).

Those contributions are then invested by the pension provider, typically in stocks and shares. You can let them choose where your money is invested or you can choose yourself. You can also choose how much risk you are happy for them to take with your money. With my pension, I let them choose which stocks and shares to invest in because I figure they know more than me. Risk-wise, the younger you are, the easier it is to rebound from a knock if your options lose value, so the decision whether to choose low, medium or high risk can be age dependent. Remember, the income you will get from your pension isn't guaranteed. It depends on how well the investments do – the value can go up as well as down.

You can pay into as many pensions as you want, however, there are limits to how much you can contribute to your pensions each tax year, as well as over your lifetime. It's common over the course of your career to acquire a new pension with every new workplace. It might be a good idea to consolidate them all into one pot because you won't believe how many people forget about them.

Let's go into a bit more detail about each kind of pension (remember, you can have all three if you like) and why they are good.

TYPES OF PENSION

State Pension

The State Pension is a pension you'll receive from the government once you reach the state retirement age, as long as you have your 10 years' worth of qualifying National Insurance contributions, as discussed. You'll get this income for the rest of your life and, with a system called a triple lock, the government promises to increase your State Pension in line with inflation, earnings or 2.5 percent every April – whichever is higher.

A lot of people think that because they will be entitled to a State Pension, they're sorted. They couldn't be more wrong. Most people would agree that it's nowhere near enough money to have a decent lifestyle – it's bare-bones stuff.

The State Pension is currently £179.60 per week (2021), but the actual amount depends on your National Insurance record. You'll need 35 qualifying payment years to get the full State Pension.

There's also a myth that there won't be a State Pension when you retire. Every year you pay National Insurance (NI), you are building up that State Pension and anything you 'earn' while you are paying NI can't be taken away. So, it's money in the bank even if future governments might change.

Workplace Pension

If you are employed, then the employer is legally obliged to have set up a pension scheme for you. It also has to automatically enrol all its eligible employees. You'll be automatically enrolled if:

- You work full time or part time.
- You work in the UK.
- You are at least 22 years old, but under State Pension age.
- You earn more than £10,000 a year for the tax year 2021/22.

If you earn less than £10,000 but above £6,240 (for the tax year 2021/22), your employer doesn't have to automatically enrol you into a scheme, but if you ask to join one, they can't legally refuse and will have to make contributions for you.

Here's the best bit about a workplace pension: your employer has to contribute to it. You can look at that like a pay rise.

When your employer sets up the pension scheme they decide whether you, and the company, pay contributions on your full wage or on what's called your 'qualifying earnings'. The current banding for qualifying earnings is £6,240 to £50,270.

There are two types of workplace pension schemes: a defined contribution pension scheme (DC scheme) and a defined benefit pension scheme (DB scheme).

Most people will have a DC pension where you and your employer pay in a percentage of your salary. You may be in a job where your employer will only put in the minimum contribution (currently 3 percent) but it doesn't stop you putting in more. I've personally always aimed for 10 percent, but you do you. If your employer is putting in the minimum 3 percent and you choose to put in 5 percent, you will have 8 percent in total contributions.

Some employers will match your contributions up to a certain amount. For example, if you choose to put in 8 percent, your company will also contribute 8 percent. If you can afford it, get the maximum contribution out of your employer. Again, and I'll probably say this a hundred times in this chapter, this is free money.

Now if you're really lucky (or work in some public sector jobs), you might have a DB pension, also known as a final salary pension scheme. Employers don't hand these out very much any more.

The benefit of a DB pension is you get a specified amount as income when you reach retirement age. Both you and your employer still make contributions but your pension is calculated by multiplying your length of service by your final salary, which is divided by a fraction such as 1/60th or 1/80th.

You don't have to stay with the same employer offering the DB scheme until the day of your retirement. If you were to leave your job, the fund still belongs to you. You can leave it in the current scheme for as long as you like, or you can transfer it if rules allow. But, and it's a big one, you should always get independent financial advice before touching a DB scheme and shouldn't rely on your ex-employer to suggest the best option.

When I move on from my current role, the pension plan offered is going to be one of the biggest determining factors for where I go (assuming the salary is right). I'm going to do my best to get my

hands on a pension where my employer at least matches what I pay in, but ideally pays in more. And if I were to go back in time, I'd be looking for a well-paid job with a DB pension, as with a DC pension, you only get what you've put in.

When you retire, you can take up to 25 percent of the money built up in your pension as a tax-free lump sum. You'll then have six months to start taking out the remaining 75 percent, which you'll usually pay tax on.

The options you have for taking the rest of your pension pot include:

- Taking all or some of it as cash
- Buying a product that gives you a guaranteed income for life (sometimes known as an annuity)
- Investing it to get a regular, adjustable income (sometimes known as 'flexi-access' drawdown).

This is a massive decision and there is no one right answer that works for everyone – it all depends on your circumstances. Make the wrong choice though, and you may find that you lose a large chunk of your savings to tax and/or don't have enough to cover your retirement. Always speak to an independent pension expert before making a decision.

Personal Pension

A personal pension, also known as a private pension, is one you can set up yourself.

It's not an alternative to your workplace pension if you are employed because you will lose that free money I've talked about (that is, the employer's contribution). Since automatic enrolment began, for most people in full-time employment, a personal pension is only a good idea if you are not eligible for a workplace pension.

If you open a personal pension, you have to pick your provider and how much you're going to contribute.

There are two types of personal pensions:

Stakeholder Pension
A stakeholder pension allows you to make low minimum contributions (as low as £16 a month and you'll still get tax relief to boost your savings) and is aimed at people who want to save for their retirement, but don't have a huge amount to put in their pension pot each month. You can stop and start payments, and transfer out at no cost.

Self-invested Personal Pension (SIPP)
This is for anyone who wants to manage their own investments and have a bigger range of asset types to invest in (though it would be wise to get a financial adviser involved). Some schemes offer a wider and more sophisticated range of investment options than a stakeholder pension. Once you've opened a SIPP, you can make one-off, monthly or yearly payments into your pension. You're in full control of your pension pot so you'll need to be confident in your ability, as well as be willing to do your research.

Personal pensions are particularly useful for the self-employed as you won't have a workplace pension.

SELF-EMPLOYMENT

If you're self-employed and don't fancy living off your State Pension, you're going to have to sort out a pension on your own.

According to *The Times*, four out of five self-employed people don't have a pension plan, leaving them without the financial security they'll need in later life. Yikes!

Let me just highlight those tax benefits again – as a self-employed person, you're entitled to all of the same tax reliefs on pension contributions as employed people.

You get a tax top-up when you contribute to your retirement pot at the rate of 20, 40 or 45 percent, depending on your tax bracket. So, if you're a basic-rate taxpayer who puts £800 into your pension, the government will top it up by 20 percent, automatically turning it into £1,000.

Do I need to shout it from the rooftops? That's a massive pay rise. You'd be mad to not take advantage of that.

If you're self-employed and thinking about opening a personal pension, I would really recommend investing in an independent financial adviser as your future literally depends on making a good decision here.

ACTIVITY

Now you have all the facts, use a pension tool (such as the one available on MoneyHelper) to work out how much you will have when you retire if you continue paying in at your current level. Think about whether that will be enough to live on and if you can afford to start upping your contributions.

If you don't have a pension, research what kind of pension would work best for you, how much you can afford to put in and get it set up ASAP.

6 WE NEED TO TALK ABOUT BUY NOW PAY LATER SCHEMES

This might be a controversial one, because so many people love Buy Now Pay Later (BNPL) schemes and they've become very normalised over the last few years, but I wanted to talk about why I hate them and think they can be dangerous.

A QUICK RANT

Okay, full disclosure: I really hate BNPL. You might not have heard of the term before but you've definitely heard of the companies that offer it, such as Klarna, Clearpay and Laybuy. There are more out there, but those are the biggies.

The scheme does exactly what it says on the tin – you can buy something now but pay for it at a later date. Some give you 30 days to pay, while others allow you up to 12 months. What could go wrong?

These days, most shopping websites offer BNPL as a payment option, mainly because stats from BNPL companies themselves brag that it makes people more likely to click 'buy', and when they do, basket sizes are bigger.

But I hear you cry, 'Lotty, what's your problem? Most of them charge 0 percent interest, so it's free.' Well, let me tell you something, they aren't offering these products out of the goodness of their hearts – there's money to be made out of misery.

I'll break down my issue into two points:

- Anyone can take out these products without understanding the consequences.
- The often predatory and unethical behaviour of the company offering the product.

Point One: Unintended Consequences

You would not believe the amount of people who have come to me with debt problems because they have got into trouble through BNPL, buying a £25 pair of shoes they could have afforded to pay for outright in the first place.

When a bank, for example, decides whether to lend someone money, it will carry out an affordability check to make sure that the borrower can pay the money back. This isn't necessarily because they want the money back (they do, but it's not completely the reason they do it), it's because they are forced by a regulatory body called the Financial Conduct Authority (FCA) to ensure that they are looking out for the customer, making sure they aren't borrowing more than they could reasonably afford to pay back. After all, a lender could make

far more money out of someone paying an extortionate amount of interest and fines on missed payments than if they just simply paid the money back on time.

With BNPL, it's common for people not to realise they've taken out a financial product because the application process is different from other credit accounts. This can lead people to assume they're harmless. Even if you can afford to make the payments, they are too easy to enter into and are a slippery slope into spending more money than you can afford.

If you miss a payment or fail to pay back what you owe when the time comes, it can be noted on your credit report. A missed payment knocks at least 100 points off your credit score, which could potentially hang around for six years. This lowering of your credit score means you might find it hard to get credit in the future, such as applying for a credit card or a mortgage.

The website Compare the Market conducted research and found that one in 11 people (9 percent) have missed a BNPL payment so the number of people being negatively affected is not insignificant.

Some BNPL companies will allow you to spread the cost of your loan over a longer period but then charge a high rate of interest, such as 39.9 percent APR.

Point Two: Unethical Behaviour

Getting into debt is generally not considered a cool or fashionable thing to do. In fact, lots of people are pretty judgemental about it. But weirdly, when it comes to BNPL, people don't seem to mind.

BNPL marketing teams are savvy and have been able to normalise choosing to shop using next month's money. They use social media to aggressively target young people and those who are likely living pay cheque to pay cheque. It's Instagram-worthy finance.

BNPL companies will partner with influencers on Instagram to sell BNPL – even Lady Gaga was encouraging people to use Klarna! To me, this is madness. When they first launched in the UK, Klarna even sent jellybeans to customers to encourage engagement.

Last year when I was getting coffee, I saw a woman who had a bag with Klarna written all over it in the queue. That's incredible. Can you imagine someone with a payday loan company plastered all over their clothing?

And sure, Klarna and other BNPL brands have marketed themselves as cool and modern but one of their tactics is to target students after their loans come in and encourage them to 'Shop like a queen', sending messages to young people saying 'Don't wait until payday!' So nah, not cool. In fact, the industry has behaved so badly, the FCA who 'police' the finance industry is creating new rules to protect people.

BNPL is expanding its reach into (in my opinion) even more unethical waters, too. Right now, it's mainly fashion retail that uses BNPL but we've already seen the launch of the first BNPL supermarket in the UK. This means you can spread the cost of your baked beans and tea bags. I hate this.

With more and more people living in poverty needing to choose between eating and heating, you know there will be people who use

BNPL to pay for dinner even though there's no chance of paying it back. Then bam, you're in a debt cycle.

WHY YOU SHOULDN'T USE BNPL

Look, because of the industry I work in, I see where this goes wrong every day so I'm not expecting everyone to see the worst-case scenario of using BNPL like I do.

That said, if you're serious about getting yourself into a strong financial position, buying something you can't afford and paying for it later doesn't fit into the plan at all.

Because people often open a new BNPL account to pay for something small, it's easy to forget that you promised to pay for that skirt next month, instead of at the checkout. Anecdotally, I've heard of people only remembering they signed up to a BNPL service after their credit score took a dive. The amount they borrowed was so insignificant, it completely slipped their mind and they forgot to pay. You should be sent reminder messages but how often have you seen an email and relegated it to a job for tomorrow? If you move house or go on holiday you could miss letters – it's not the same as one big monthly payment you'd make to a credit card company.

I'm not against some credit. It has its uses in certain circumstances but using it to buy items you don't need doesn't fall under those criteria. You're just bringing an element of risk into your financial plan that doesn't need to be there. You don't need BNPL, you're better than it.

ACTIVITY

Make sure to add an impulse shopping allocation in your budget. Knowing the average price of luxury items you'll likely want to buy means you can budget for them. That way, you can shop without guilt and pay up front with no risk of ruining your credit rating.

SOME STATS TO GET YOU STARTED

Football ticket:
The average price paid for a Premier League ticket is £32.

Night out:
On average Brits spend roughly £65 on a night out.

Festival:
The average cost of going to a music festival is more than £400.

ASOS basket:
The average amount spent is £71.29.

7 SORTING OUT DEBT

You're here, reading this book, because you want financial wellbeing. You want to live the life of your dreams, stress free and in control. And to do that, you have to take a holistic approach to debt, whether it's a problem in your life or not.

Debt is a necessary evil for the vast majority of us. It's not always a bad thing in itself, in fact it can help improve your life dramatically. However, it is a tricky thing that you need to be very careful about because it can bite you in the arse if you make a mistake.

For a lot of people the problems start when debt becomes unmanageable. The thing you have to understand about debt is that it can spiral out of control very quickly. Small amount after small amount racks up, not only impacting your financial health but your mental and physical health, too.

There isn't a magic number that makes debt a problem – it could be £200 or £200,000. If you are struggling to manage payments and feel stressed, that's problem debt and you should get proper, free and impartial help.

DEBT AND INTEREST BASICS

If you break it down to its simplest form, you're in debt anytime you borrow money from someone, right up until the moment you pay it off, including any interest owed.

So based on that, debt is a mortgage, credit card, overdraft, car payments, personal loans, interest-free payment plans, store cards and Buy Now Pay Later schemes, as well as borrowing £20 from your mum for a takeaway.

Let's be real, lenders aren't loaning you money out of the goodness of their hearts. Whether they're Tony Soprano or the UK's biggest bank, they do it to make money via interest on the loan.

Interest is the additional amount you agree to pay in order to borrow the money and is usually expressed in terms of Annual Percentage Rate (APR). Typically, longer-term loans offer lower interest rates, whereas shorter-term loans can get away with ridiculously high rates.

According to Experian data, the average rate on a personal loan is 9.41 percent, the average credit card is around 22.8 percent and (you might want to sit down for this) it's a whopping 391 percent on a payday loan.

Bear in mind these are only example rates at the time of writing but I want to give you an idea of how interest rates differ depending on the type of loan.

WHAT'S THE DIFFERENCE BETWEEN GOOD AND BAD DEBT?

I grew up thinking that debt was a dirty word. If you want something, you save up, even if it takes years to buy it. I still think that to a degree but I now know there's such a thing as good debt and bad debt.

Good debt can be seen as an investment. As long as it's affordable for you, and it's going to improve your life by helping you buy something that will increase in value and contribute to your longer-term financial wellbeing, which ultimately is a good thing.

An example of good debt is a student loan. Usually a degree and further education will help you get a more well-paid job and open up opportunities. Plus, you don't need to pay your loan back until you're earning past the threshold.

A mortgage is another example as you'll stop 'wasting' your money on rent, and property is an investment that can be profitable in the long term (see chapter 13 for more on home buying). If you need a car for your work then a finance deal might also be considered good debt.

That said, if you can pay for a house in cash and avoid debt that is obviously preferable, but we don't all have Elon Musk as a dad.

Even if you have 'good debt' it's really worth trying to pay it off as quickly as possible. If you're serious about getting out of debt, you will need to set up a budget (check out chapter two for help with this), factoring in your monthly payments.

So that leaves bad debt. This is debt that's purely for the purpose of consumption – clothes, holidays, games or anything that doesn't help your financial situation over the long term. Even if you can afford the debt, you can't afford the items. If you want real financial freedom, you need to make sure these costs are accounted for in your budget and achieved via saving.

The New Grey Middle Ground

Thanks to a myriad of things, but especially the pandemic, a lot of us have been hit hard financially. With wage freezes, increased cost of living and uncertain income, there is now a large group of people who will fall into a grey area in between good and bad debt.

What I mean is that there are many people who are having to use expensive debt to pay for essentials, such as food, housing costs and bills. It's just not that simple these days.

Sometimes people will also get themselves in debt, practically overnight, because of a change in circumstances such as a separation or job loss. One day you're fine and then the next you're struggling to pay your bills through no fault of your own.

If you experience an income shock, the key is to act quickly to ensure that you have a plan to survive financially while you get back on your feet, and protect your mental health.

See chapter 14, which covers financial wellbeing, for a checklist of things you need to do.

HOW CAN YOU TELL IF DEBT IS A PROBLEM?

One of the easiest ways to tell if debt is a problem is if it feels like the situation is out of control and it's impacting your mental health. However, for many people debt might not seem like a problem. Some people might try to not think about debt so don't feel anything, while others have been in debt for so long they are simply used to it.

Here are some signs you should get help with your debt.

You're Hiding Your Spending

Do you watch out for the postman so you can get to him before he rings the doorbell and alerts the household to another package? Or do you hide new purchases from friends and family? If you can't be honest with your loved ones about your debt, chances are you have too much.

You Don't Know How Much You Owe

This is a dead giveaway that things are out of control. You may be consciously or subconsciously ignoring the problem because you don't want to deal with it. You may not know because someone else has taken out loans in your name (which is economic abuse), or perhaps you've forgotten who you owe money to. There are a million reasons why you might not be on top of your debt but it's all very fix-able.

You're Struggling to Sleep at Night

The stress of it all is making it hard to rest properly. You may not have put two and two together but if you have money troubles and struggle to sleep at night, they are likely to be connected.

You Owe More Than You Are Paid Every Month

If this is the case, you won't have enough money to cover your debts, never mind your day-to-day financial needs. Things will get very bad very quickly if you're in this situation without getting help.

You're Dodging Calls, Not Answering the Door and Ignoring Letters From Your Lenders

If you're avoiding the problem it shows you know you are struggling to keep on top of things and your mental health is being negatively impacted.

You're Borrowing Money to Pay Back Your Debts

If you're calling up family and friends, or getting new credit cards or loans to cover pre-existing debt payments, you need to face up to the fact you're in too much debt and get things under control.

You've Drained Your Savings

This means your debt isn't sustainable because what will you do when all your savings have run out?

You're Looking for Ways to Deal With the Stress

You might be drinking too much, using drugs or shopping compulsively. Self-soothing mechanisms to deal with the stress of money problems are likely to make the situation worse.

You're Living in the Red

If you're having to buy essentials like food in your overdraft or on a credit card, it's a sign of a deeper issue.

IF YOUR DEBT IS NOT A PROBLEM

If you have good debt you can comfortably manage, you should still do three things:

1. Make sure you're making your payments, ideally in full, every month. If you can't afford to do that, at least make the minimum payment. After all, one missed payment and you'll knock 100 points off your credit score. A Direct Debit is the easiest way to make sure you don't miss a payment.
2. Regularly check the interest rates you are paying and see if you can switch to a cheaper deal. This will mean you're paying less for what you owe.
3. If you can afford it, try to pay off your debt before it's due. Not only will you get rid of your debt quicker (which means less risk) but it will be cheaper because you're cutting down on the interest you'll have to pay. Just make sure you check the terms of any credit as some may have penalties for early payment.

If you have easy-access cash saving accounts, you'll probably find that interest rates are less than your debt interest rates. It's often better to pay off debt you owe before you start saving (check out chapter four for more information). But remember, you should leave enough savings to cope with any unexpected emergencies, such as a boiler breakdown or car trouble.

THE DEBT HIERARCHY

Not all debt is created equal. Depending on the debt, there are different consequences for not paying it back on time so you need to learn to prioritise.

Priority Debts

These are the debts you pay off first because not paying them can cause you serious problems.

You aren't going to end up in some Oliver Twist-esque workhouse, but in the very (VERY) worst-case scenario you could go to prison.

Priority debts include Council Tax, TV licence, child maintenance, income tax, energy bills, mortgage or rent payments and debts to the Department for Work and Pensions (DWP) or HMRC for unpaid loans or repayment of benefit overpayments.

Non-priority Debts

These debts have creditors (persons or organisations you owe money to) and you'll need to work out a repayment plan for them. If you don't pay, the worst outcome can end with a County Court Judgement (CCJ) and/or bailiffs (sheriffs in Scotland) coming round. These are enforcement agents, sent by your creditor, that will turn up to your home to take any items of yours that your creditor can sell to recoup costs. That will affect your credit score and ability to get credit for a very long time.

These debts include overdrafts, bank loans, Buy Now Pay Later

schemes (see chapter six), credit cards, door-stop lenders (where you apply online and a person will come to you to set up the loan), store cards and any money borrowed from family and friends.

A quick note about loan sharks – they are illegal lenders who target people who need money in a hurry and can't access loans in the usual ways. It's not always obvious that someone is a loan shark either as they might be 'friends' or central figures in your community. However, things can turn nasty quickly and you might find yourself in danger if you can't repay the money. If you have already borrowed from a loan shark, please remember that you haven't broken the law and you should report it so you can get help by visiting www.gov.uk/report-loan-shark

WHEN DEBT IS A PROBLEM

You might be thinking that getting debt help is going to be a waste of time, where you're given a stern word and a pamphlet, but it's not like that at all.

You can tackle a debt problem on your own but using a free, confidential and impartial organisation will likely sort the problem out more quickly and efficiently. These organisations have so much experience and can even do things on your behalf that you might find hard to do alone, such as get your lender to temporarily freeze interest (though creditors now have to give you breathing space if you ask them directly yourself).

You can access debt help in a way that feels right for you, whether that be face to face, over the phone or online. Have a look at the below organisations to find one that suits your needs:

- MoneyHelper
- StepChange Debt Charity
- Citizens Advice
- National Debtline
- Payplan
- Christians Against Poverty – you don't need to be a Christian to get help.

Do not pay for debt advice. Ever. Do not get your advice from 'gurus' on social media selling miracle products. You need a qualified debt adviser.

Usually fee-paying debt services take a cut of any of your repayments while free services mean all of your money is going to pay off your debts and you'll get exactly the same service. It's very much not the case that you get what you pay for when it comes to debt help. If you take one thing away from this book, let it be that there is help out there and it's free and waiting for you.

DEBT AND MENTAL HEALTH

When you're in debt, your mental health can suffer so it's important for you to protect yourself. Talking to trusted family or friends can be helpful and is a step in the right direction.

If you are feeling overwhelmed, losing sleep, dealing with anxiety and/or depression then it's always a good idea to visit your GP who can refer you to mental health services in your area.

If you are struggling with your mental health, or any other problems that are making you vulnerable such as an illness or disability, you should always let the people you owe money to know. There are usually special teams that can offer extra support with your debt and repayments. See chapter 14 for more on financial wellbeing.

WHAT TO EXPECT WHEN YOU GET DEBT HELP

So, hands up, I got debt help in my early 20s. I'd love to say I was a grown-up about the situation but I was ignoring the fact I was being chased for £3,000 with no way in the world to pay it back. When I finally admitted the problem to my mum, she marched me down to the bank to demand they stop the charges. One of the employees kindly said, 'Look, I can't do anything but if you were to go to Citizens Advice, they could stop the charges for you and give you some breathing space.'

I didn't really want to go as on one hand going made it seem real, but on the other hand I felt like you only went to Citizens Advice if you were in serious financial trouble with massive debts.

But after just one appointment I can't tell you the relief I felt. They managed to stop the interest on my loan and helped me come up with a plan to pay off the debt.

Importantly, they aren't going to judge how you got into debt, they are solely focused on getting you out of the problem and helping you get back on track. Trust me when I say that they will have seen it all before and worse.

It won't be exactly the same for everyone but you can expect getting debt help to look something like the below:

- If you're being hassled by debt collectors, they'll explain your rights, tell you how to get them to leave you alone and how you can complain about unfair treatment.
- Help decide which debts you should prioritise above others for repayment.
- Assist you in creating a budget and tell you how you can reduce your outstanding debt.
- Negotiate your monthly payments with a debt management plan or find the right debt solution for you. There are lots of options and the one that is best for you may not necessarily be the one you thought would solve your problems.
- Look into agreeing a payment holiday or freeze in interest and charges for a short time. This option is only offered by certain creditors.
- Work out if you can or should get some debts written off – it will depend on the kind of approach you want to take.
- Help you find out exactly how much debt you owe and to whom by checking your credit file.
- Help you print forms, get guidance notes and respond to court claims made against you.

They offer all of this and much more! It's very much not a 'stop buying coffee and get on with it' kind of help.

HELPING YOURSELF BEFORE YOU GET INTO TROUBLE

As with everything, a solution is better than a cure and that's just as true when it comes to debt.

In this post-pandemic world, debt advisers are overrun. Most people don't realise that Citizens Advice, for example, is a charity full of volunteers. For the last couple of years, debt advisers have only been helping if you've missed more than one payment on your debts and there are new commissioning rules coming that suggest that people only get 20 minutes of money guidance. It's not a lot.

So if you feel yourself slipping into debt, it's more important than ever to know the signs and try to get yourself back on track by talking to your creditors, revisiting your budget and maximising your income.

What do I mean by maximising your income? Here are some quick tips but I'll go into more detail about these later in the book.

- Cut the cost of your shopping (see chapter 10)
- Reduce the cost of your bills (see chapter 11)
- Earn some extra money (see chapter eight)
- Claim all the benefits you're entitled to – don't assume you're not entitled to anything or have everything you could possibly receive.

If you have some debt and feel confident dealing with creditors on your own, you can contact them to ask for help with your repayments in the following ways:

- Negotiate payment holidays
- Reduce payments and extend the amount of time you have to pay
- Ask to switch to a better tariff or deal.

Please don't feel embarrassed – get in contact the second you have a problem. The reality is, it can take people months, or even years, to get debt advice by which time things may have spiralled out of control and the problem will take longer to fix.

The minute you start to see warning signs, you need to start taking action.

ACTIVITY

Got manageable debt? See if you can afford to pay off a bit more each month than you are currently. A little increase every month can make a massive difference to your overall repayment amount.

Have unmanageable debt? Bite the bullet and get some free debt help. You don't have to see someone face to face or even speak to anyone in the beginning – some services offer online chats and WhatsApp options. Do some research into the organisations mentioned in this chapter and choose one that suits your needs, then take that first step.

8 SIDE HUSTLES: WHAT YOU NEED TO KNOW

Are you someone who is side hustling, or considering it? Well, you're far from alone because according to research from 118 118 Money, more than half of employed people have a side business to boost their income. The same research showed that the average side hustle makes £411 a month, which is pretty impressive.

They aren't for everyone, because they do eat into your spare time, but in my personal experience my side hustle completely changed my life for the better. Not only did it diversify my income, so I didn't have to rely on one job for my sole revenue, it's my passion, too.

And you never know, you may find that your side hustle income overtakes what you earn in your main job. It's a great way to try out a new business without risking financial stability.

I beat the wage I was earning in my second year of blogging, and as a bonus, it's been so fun!

WHAT IS A SIDE HUSTLE?

They used to be called a second or third job but today a side hustle is a way to make money alongside your full-time job or studies. Sure, some people do it to make extra money doing something they're passionate about but for a lot of people, it's a necessity. It's hard out there.

Typically, you take a skillset and/or passion of yours and make it profitable. A popular side hustle is selling handmade items on Etsy and other selling sites. At least 75 percent of handmade crafts seem to be those non-biodegradable resin pyramids you see all over TikTok (which, if you happen to make them, I'm sure are amazing. Sorry!). But if you are creative and find your market, the sky is the limit.

For me, I was good at writing and deals-hunting. While I worked full time as an editor, I started a blog where I talked about money in the way I wanted to. This got me paid work writing for newspapers, which then got me a better job because I was spotted doing those other things and, well, here I am writing this book alongside my day job (and a new baby!). You've got my very own side hustle in your hands.

Although it's a lot of extra work, having a side gig is a stress reliever for me. I've spent too many months unemployed and I never want to set foot in a Jobcentre again. There's no shame in it but I still feel stressed and upset about my experiences at the beginning of my career. My blog, and the other work it brought, is my insurance policy and potentially part of my retirement plan, too.

HOW TO CHOOSE A SIDE HUSTLE

They can either be skill-based or generic but the best way to start out is by thinking of the below:

- ***Evaluate your skills***
  Are you musical? Artistic? Good with words? Good with social media? Photoshop? Physically fit?

- ***What's your passion?***
  What do you love doing and can you find a way to make it profitable? You're going to need to really enjoy whatever you do to give up your valuable spare time after a hard day of work.

- ***Consider your time***
  How much time do you have to do this? You don't want to get in trouble at your full-time job or studies because you're eating into that time. Can you dedicate a few hours to it in the evenings or at weekends? Be realistic – if you burn yourself out, it's not going to be sustainable.

TYPES OF SIDE HUSTLES

Something to consider is that nothing is likely to be as easy as it seems and you'll need to keep learning and improving your skills. According to the same 118 118 Money survey, 59 percent of side hustles are artistic. So that's people making jewellery, selling art, pottery, embroidery and so on. As much as you need to be good at the craft itself, when it comes to side hustles, you'll need to also develop skills for other aspects of running a business such as marketing, creating and updating a website, photography, copywriting, customer service...

There are an infinite number of ways to make money on the side (I knew a woman who used to sell stinky shoes to blokes on the internet – whatever floats your boat!). But I'll outline some of the most common below.

1 Start a Blog

It can be very cheap to start up and run. Wordpress lets you set up a website for free but you'll need to find a Wordpress host, which will likely have a tiered payment system. The more traffic you get, the more your hosting costs. That said, it's likely to only be a few quid every month. After you get some traffic, you can make money from adverts and sponsorships. In my first year of having a blog, I was able to completely cover my mortgage payments.

2 Selling or Flipping Items Online

Sell any unwanted items you already have first (check the back of the wardrobe or in the attic) on online reselling platforms. There are a few different options, some of which charge a small commission on the sale. You can also think about flipping, which is where you go to charity shops and car boot sales, buy bargains and sell them online for a profit. It takes time to know what to buy and how much items sell for, so start small and don't invest too much money until you know what you're doing.

3 Upcycling

This is one I keep meaning to do, in fact, I even went on an upholstery course with this in mind! Pick up free or cheap furniture from Facebook Marketplace, Gumtree, even the street, and with some skills you can make them beautiful again to sell on.

4 Dog Walking

There is so much money in this – I couldn't believe what a friend of mine pays a dog walker every week!

5 Transcribing

If you're fast at typing, you can transcribe people's videos and audio into text documents. Sign up to websites such as Fiverr, Take Note and UK Transcription to look for work.

6 Fill in Surveys

It's never been my bag but I know people who do really well filling in surveys. Companies do this to see what the general public think and want. Have you ever seen a stat in some marketing campaign that is like '82 percent of people agree that XYZ'? They might have got those numbers from a survey. Prolific and Swagbucks are big ones, but there are tons out there.

7 Cakes, Bakes and Sweets

You'll need to get yourself a hygiene certificate to do this one (though tons on Facebook Marketplace don't seem to bother!). Making cakes, desserts and sweet bags to deliver in your local area, or even nationwide, can be incredibly profitable. I see small brands advertise these on TikTok all the time. It's free advertising and they can become so popular, they can turn it into a full-time business.

8 Private Tutor
Whether it be music, art, science or languages, there's always a demand for tutors. Obviously, you'll need to be good at the skill if you want to teach it, and some people might prefer certain qualifications. Look into joining a tutoring agency if you've still got your grade eight piano music memorised!

9 Paid Instagram Ads
If you've got a decent following on Instagram, some brands will pay you to promote their products – or at least give you freebies! It's always worth politely reaching out to marketing or press contacts of brands you'd like to work with and ask to collaborate. You could also apply to an affiliate scheme, such as Affiliate Window, Skimlinks or Amazon Affiliates, where you can direct your followers to products via a special link and make a small percentage from items they purchase.

MULTI-LEVEL MARKETING SCHEMES

You might have noticed I've not included any multi-level marketing schemes (MLMs) in the above list. They are companies with a sales structure where members need to recruit other members into their downline to make money, as well as sell products. I'm going to give it to you straight – I think they're a load of old shit and, personally,

wouldn't touch them with a 10-foot barge pole.

You might recognise this scenario; you're minding your own business, stalking your ex's new girlfriend's pics on Instagram when suddenly you get a DM from Becky who you were friends with in high school and haven't spoken to in 12 years.

'Hi hun! I know this is random, but I was just looking at your page and thought you would make a great addition to my team. I make tons of £££ working completely from home! Would you be interested in hearing more?'

Making loads of cash from home sounds pretty amazing, right? Nah.

MLM huns – multi-level marketing is never the way to make money, but a pretty good guarantee you'll lose some (along with friends, family and your dignity).

WHAT IS A MULTI-LEVEL MARKETING SCHEME?

Multi-level marketing schemes are companies where distributors do not receive a salary but instead earn money from selling products to people they know. The distributors sign up new recruits who in turn sign people up to the scheme. This continues down multiple levels, hence the name multi-level marketing. Big MLMs you might have heard about include Younique, Herbalife, Avon, The Body Shop, Ann Summers, Usborne, Scentsy. You've likely seen them a lot on Facebook.

As a distributor, the people you recruit to 'your team' are known as your 'downline'. You'll get a commission from the initial investment they had to pay in order to join the MLM. You'll also make money on everything they sell and when they recruit someone, you'll make money on what they sell, too. And so on. The aim is to get as many people in your downline as possible.

You might be thinking, 'Lotty, sounds like a pyramid scheme to me.' And I'd say, 'Sure, the few people at the very top make money while everyone below hires more and more competitors, oversaturating the market in their local area and earning increasingly tiny amounts as each level recruits another, bigger level. Seems to be structured like a giant triangle, right? Maybe even a pyramid? But no, as there are products changing hands, MLMs are not technically pyramid schemes.'

Nine times out of 10, to be a part of an MLM, you'll have to bulk buy products as well as purchasing a training or starter pack. After all, you need something to sell. I have a friend who used to sell Younique products and she told me how she was always encouraged to buy more and more new releases. When she left, she had a ton of expensive stock left over, which she had to sell for a cut price.

Research from the Consumer Awareness Institute, who researched 350 different MLMs, revealed a shocking statistic – 99 percent of people who join the schemes lose money. That means there's not a 1 percent chance of getting rich, there's a 1 percent chance of not losing money. Fuck that.

These businesses often ruin friendships and relationships, cause people to incur a huge amount of debt, and only a tiny amount of 'employees' ever achieve success. To me, that's exploitation.

THE MONEY BIT

Under the government's Trading Allowance, you can earn up to £1,000 from your side hustle (or hustles – it's £1,000 in total across any extra earnings) each tax year without needing to register with HMRC to declare it. You can simply pocket the cash.

If you earn above £1,000 you need to let HMRC know you are earning money as a self-employed person within three months or you could face a £100 fine. You will need to fill in a tax return to declare your earnings. You'll also be required to pay National Insurance on any earnings directly to HMRC. This is important as it will mean you'll be entitled to benefits, such as the State Pension and maternity pay. Check out chapter 12 for more detail on this.

There are three main ways of structuring your own business:

- Sole trader
- Limited company
- Partnership.

There are pros and cons for each option depending on your personal circumstances and business needs. If you're only earning a few hundred quid every month, most people find it best to be a sole trader (commonly called self-employed) but you'll have to do your research and it's always worth speaking to an accountant or lawyer for some advice.

If your side hustle is rocking it and has a taxable turnover of £85,000 or more (go you!), you'll need to register for VAT. This means you'll need to charge VAT on any goods and services you supply but also means you can claim back VAT you pay for goods or services relating to your business. If you get to this point, it's probably worth getting an accountant.

DO YOU NEED AN ACCOUNTANT?

This isn't cut and dried, it all depends on both you and your business. If your situation is relatively simple, you're organised with your records and bookkeeping, confident with numbers and know the rules for doing a tax return (you can get these from the HMRC website), you might want to do your own accounts.

For me, the idea of doing my own accounts is a nightmare. As long as my accountant can save me more than I pay them, I'll use one. My accountant will also give me business advice, which can be useful.

I chose mine because he was a friend of my boyfriend at university so I knew he would look after me. However, if you don't have a personal recommendation, it makes sense to pick one that specialises in your trade and works with smaller clients.

Make sure they are a member of a recognised accountancy body, such as the Institute of Chartered Accountants in England and Wales (ICAEW) or the Association of Chartered Certified Accountants (ACCA). They don't have to be local to your area, as most will just communicate with you online and over the phone, rather than needing to meet you face to face.

BUSINESS INSURANCE

If you're running your own business, it's important to be insured – it doesn't cost much. You may not be raking in millions with your side hustle yet but you still need to protect yourself from the unexpected.

The truth is, you can be sued for just about anything and even if you're in the right, it will cost you time and money. So get protected.

ACTIVITY

If you've got an idea for a side hustle, put together a simple business plan for the next three months. Get a calendar and put in some goals and targets for your business, then write down the steps you need to complete to achieve each goal. There are loads of cheap workbooks and planners you can purchase if that would help motivate and organise your thoughts.

As exciting as it is to start a new business, try to limit your start-up costs to a few quid, or ideally nothing. You don't want to invest loads of money into something in the beginning until you feel confident that it will work out, and that you can stick with it.

9 MAKE YOUR MONEY WORK FOR YOU

Picture it: you're on the phone in* The Wolf of Wall Street*. You've got $50,000 in shares in a big pharmaceutical company and you need out. You're screaming 'sell, sell, sell!' down a giant 1980s phone while your colleagues are doing tequila shots. Well, I've got news for you, investing is not like that. At all.

Growing up, I thought investing was only for rich blokes in fancy suits but it's really accessible to everyone these days. With a bit of know-how and spare cash, you could potentially make a decent profit.

First things first – there are no guarantees when it comes to investing. Never invest more than you can afford. All investments come with a risk, which means the value of your investments can go down as well as up, so you might get out less than you put in.

WHAT IS INVESTING?

Very simply, investing is when you buy something that you think you'll be able to sell at a higher price later on.

In this chapter I'm going to discuss investing in the stock market, but investing can take many forms, including:

- Gold
- Wine
- Art
- Vintage cars
- Designer bags
- Beanie Babies from the 90s.

One of the above options might float your boat, though more traditional ways to invest would be with funds, bonds, shares, government bonds and getting on the property ladder.

The big reason people invest is because interest rates offered by banks and building societies on your savings are generally pretty low. This means the interest made on your savings is unlikely to beat inflation so your money becomes less valuable as the years tick on. But if you invest the money, and it goes well, you can match or exceed the inflation rate.

If you decide to try investing, the rule of thumb is to do it long term. The longer your money is working for you, five years or more, the more likely it will grow and withstand the ups and downs of the market.

The Eighth Wonder of the World

A big reason to leave money invested for as long as possible is because of a thing called 'compound interest', also known as 'snowballing' (which I discovered is also something VERY different on Urban Dictionary), or the Eighth Wonder of the World, according to Albert Einstein. This is, of course, dependent on the thing you're investing in earning interest as not everything does.

Picture a snowball – that's your money. You roll it down a snow-covered hill and the longer it rolls, the bigger the ball becomes. As the ball gets bigger it has a larger surface area so is able to pick up even more snow, and so on. The longer it rolls, the more your snowball can keep on growing.

So, in theory, the longer you can give an investment to grow, the better – your interest starts earning interest and you have yourself the snowball effect.

And that's some rich people shit right there. Money you're getting 'for free' (the interest), making more money on an exponential scale. That's one of the ways the rich keep getting richer (ignoring the family money bit).

GET-RICH-QUICK SCHEMES

Please, please, please be careful about where you get your advice. In fact, let me break down what 'advice' even is because it means something different when it comes to money.

Unless you have certain qualifications, you are not allowed to use the word *advice* when connected to money unless you want the FCA knocking on the door.

So when a 19-year-old crypto-bro on TikTok is telling you what to invest your money in, you really need to stop and think if it's actually good advice. Most of the time, they are making an affiliate income (they get paid by the company for introducing you to them) by getting you to invest your money in certain places.

One of the newest ways people think they can make money quickly is by investing in cryptocurrencies, which are digital currencies you can buy goods with or trade for profit. Bitcoin is probably the most well-known cryptocurrency but people can create their own currencies, such as Dogecoin. In order to buy cryptocurrency you need actual, real-life money. They're not a get-rich-quick scheme as such, though you can get very rich quickly, but you can also lose everything just as quickly. Investing in crypto is very volatile and you need to be careful.

If you do decide to invest in Bitcoin, or any other cryptocurrency, firstly make sure that you are prepared to lose every penny. It might go well for you, or it might not. Secondly, be careful because there are a lot of crypto-scammers out there. In fact, a lot of high street banks will no longer let you connect your bank account to a crypto platform because of the high risk of fraud. My card was rejected and blocked when I tried to attach my TSB account to Coinbase, a popular cryptocurrency exchange. Make sure you do your research and are buying it from a reputable source. Coinbase allows you to create a wallet (where your money sits until you want to spend it) as well as buy and sell Bitcoin and other cryptocurrencies.

STOCKS AND SHARES ISAS

I bloody love my stocks and shares ISA. It's how I personally invest by putting £100 a month into a fund and watching it grow steadily over the years. I call it my 'last resort' money. It's my money that I refuse to touch until I'm old or something goes very wrong.

If you're thinking about getting into investing, you should consider starting out with a stocks and shares ISA. You get to choose a fund (see page 117), decide on your risk level and potential growth. But because it's all wrapped up in the ISA, which if you remember from chapter three means the money is tax-free, you don't have to pay on any gains. You can put in up to £20,000 every year as part of your tax-free allowance. Though remember that your allowance applies to the total amount you can save across different types of ISA in one year. So if you save £1,000 in a cash ISA, you can only save up to £19,000 in your stocks and shares ISA.

If you invest outside of a stocks and shares ISA, you may have to pay Capital Gains Tax. When you sell (known as 'disposing of') shares, any profit you have made is subject to tax. Everyone has a Capital Gains tax-free allowance, currently £12,300, and anything over this amount will be subject to Capital Gains Tax.

If you're 39 or under, you can also open a variation of a stocks and shares ISA called a Lifetime ISA (LISA) where the government adds a bonus of 25 percent to your account. Check out chapter 13 for a more in-depth explanation of a LISA.

INVESTING IN STOCKS AND SHARES

When most people think about investing, they think about putting their money into the stock market. A good first step for investing is the stocks and shares ISA, as we've discussed, but there are other ways – it depends how you want to manage your portfolio.

What Is a Share?

In its most basic sense, a share is a share of a company. You can potentially buy shares for a certain price, from the stock market. Once you own a share, you become a shareholder meaning you own a portion of the company.

Companies issue shares to raise money for their business and investors buy shares because they believe the company will do well and want to benefit from its success when the share price rises. Think *Dragon's Den*.

There may only be two or three shareholders in a business, or there could be billions of people with shares (like with Apple and Facebook). There's no restriction to how many a company can have. Companies sometimes increase the number of shares by splitting their stock in order to attract more investors.

Once you own a share, you can do whatever you like with it. You can keep hold of it for years, by which point it will hopefully be worth more than what you bought it for, or you can sell it to someone else on the stock market.

The value of your share will change constantly and can be worth more one day, then less the next. The value of shares all depends on how the market and the company are doing. For example, when the pandemic hit, if you had a share in a company that produced face masks, the value of your share would have shot up. When fewer people started to use them, the value will have gone down.

There are two ways to make money from investing – the first one is from selling your share. In the face mask example above, you might have decided to sell your share in the company at the height of the pandemic when the value of each share had risen. Assuming you bought your share for a good price, you would hopefully have made a good profit.

The other way to make money is through dividends. If the company makes a profit, it might decide to give some of the profit back to its shareholders. This could be on a regular basis or as a one-off payment. Everyone has a dividends allowance each year, which means the first £2,000 you receive is tax-free. Above that, you pay dividend tax, which is based on your income and tax band. Be aware that companies are not obliged to pay out dividends and just because they paid one year, they may not the next, or it may be a much smaller or larger amount.

What Is the Stock Market?

The stock market is a place where you can buy and sell shares, along with other things such as stocks and bonds.

A lot of countries have one or more stock markets. The important ones you've probably heard of are the London Stock Exchange (LSE), the New York Stock Exchange and the Tokyo Stock

Exchange. If you're investing in the stock market, you don't actually have to go anywhere to do it. Most people will use a website or app, called a platform, to invest.

People think you need to have a lot of money to invest in the stock market but that is not the case at all. Most fund managers will let you invest from £25 a month. In fact, the general rule of thumb is to not put big chunks of money in, but to drip feed small amounts, which is called 'pound cost averaging'. This way, you protect yourself somewhat from bad months where the market is falling.

What Is a Fund?

A fund is a collection of shares (or stocks and bonds), which is managed by an expert known as a fund manager.

You can, of course, invest in individual shares yourself but you need to be up to the research when it comes to choosing what to buy, have money to potentially lose and feel confident in the processes. If you're not sure, investing in funds is a simpler option.

They work by giving your cash to a fund manager who will pool it together with other investors just like you. They then use the pooled money to buy a larger number of shares in the stock market.

Funds can invest in almost anything. Ethical investing is a popular choice at the moment because not only can you potentially make a profit, you also protect your principles. A lot of people don't know the specifics of the funds they pay into and might be horrified to know that they are supporting companies that don't match up with their morals. Some common areas are arms, fossil fuels, gambling, deforestation and tobacco.

All funds have a theme. If you want, you can specify what sort of funds you are happy to invest in, for example green or ethical funds, places such as the US or emerging markets like China and India. You can also choose a fund that tracks the market for you – more on this opposite.

BUT HOW DO YOU ACTUALLY BUY SHARES?

Let's get to the nitty gritty – you want to buy some shares, how do you go about it? Well, the cheapest and most convenient way to buy a share is to do it via a website or app platform. There are a ton of platforms out there, but some reputable ones include:

- Nutmeg
- Evestor
- Vanguard
- Fidelity
- AJ Bell Youinvest
- Hargreaves Lansdown.

So how do you choose a platform? The big thing to consider is cost but you should also think about customer service and ease of use.

When it comes to costs, things to look out for include set-up charges, an annual account charge, a dealing charge (the cost for when you buy a share) and exit charges (the cost for when you sell a share). Each platform will have different costs and you need to account for all of these when deciding which platform is right for you and your intended investments.

THE TLDR VERSION

Here are three different ways you can invest in shares, from simplest to most complicated:

1. **Index Tracker Fund**
   You can buy a fund called an index tracker that essentially follows the market up and down. You don't need to worry about deciding what to buy because in this approach, the fund buys a little bit of everything in proportion to its value on the market. You can buy index tracker funds that follow global markets like the FTSE 100 (Financial Times Stock Exchange). These funds are a good option for those starting out in investing because they are often low cost and the risk is spread out across the market.

2. **Active Funds**
   Here, a fund manager (someone who manages your investments on your behalf) will pick and choose individual stocks and shares on your behalf. You can specify what sort of areas you do or don't want to invest in and what risk you are willing to take.

3. **DIY**
   You research the companies you want to invest in and buy the shares directly via a stockbroker. If you choose this option, you need to be prepared to keep an eye on the value of your shares and manage them yourself.

Don't Ignore Your Pension

It's not sexy, but if you have spare cash to invest, consider using some of it to take advantage of the ultra-generous tax breaks that come with pension contributions. Check out chapter five for more info.

Don't think you should be investing just for the sake of it though. The whole point of investing is to fund the longer-term goals in your life. How much money do you need to meet your goals and how long do you have to achieve the amount? Remember that investing is always a risk so you shouldn't rely on this money for anything you really need.

ACTIVITY

I've mentioned that compound interest is the Eighth Wonder of the World, so let's test out just how wonderful it can be with a quick bit of maths.

I want you to see how long it would take you to make a million pounds from only putting a small fraction of that in savings. Compound interest is going to do all the heavy lifting here.

A savings calculator works here (I use the MoneyHelper online calculator) so you can play with your goals, age and interest rate. I chose a 5 percent interest rate as I thought that was a fair average spanning decades.

Here's what I worked out:

- If I want to save up a million pounds by saving £150 per month, assuming a 5 percent interest rate, it would take me 68 years and 5 months.

- My actual deposits would only have to be £123,150 – meaning I had earned a whopping £876,850 in interest! £876,850 in free money!

I don't want you to be put off by the £150 figure if you can't afford it right now. This is the average over decades. The most important thing you can do is start saving, even if it's just £20 a month. The odds are that in 10 or 20 years' time, you can save more to get the average up.

Use a savings calculator and play around with amounts and hopefully you'll be inspired to get cracking. I told you compound interest is *chef's kiss*.

10 SHOP LIKE A PRO

My first ever job title was literally bargain hunter at Money Saving Expert (if we're not counting the Maccy D months). I spent my days searching for shopping deals and then when I found one, I'd try to maximise the discount in some way. I loved it, but unfortunately, I usually ended up spending my wage on the things I found. It's fair to say my house was filled with junk at one point.

I then started a blog based around luxury on a budget because I was never tight. In fact, I hate it when people are tight arses – you won't catch me missing a round at the pub because no one likes that person! I like to eat out in the best restaurants, stay in five-star hotels and buy designer bags. I'm just smart about it – very smart.

I could write a whole book about how to save money on shopping but to keep it to just one chapter, I'm going to tell you about some of the easiest ones.

CASHBACK SITES

Cashback sites are my favourite way to make money by a long shot. By shopping as usual, I've made nearly £1,500 with my Quidco account and it requires practically zero effort.

To understand how it works (and how a lot of other money schemes operate), you have to understand affiliate income. It's how I make money with my blog. Let's say that I found a good deal on a pair of shoes. I tell my audience about these shoes and if they buy them through a special tracked link, I'll get a small percentage of the retail value of those shoes as an incentive for telling people about them.

Cashback sites work in a similar way but instead of keeping the money, they'll split it with you. It's not just brands you never shop at though, there are thousands of retailers included, pretty much every major company in the UK. Depending how much you're spending, you can earn a few pennies to over £100 in one transaction.

For example, if you're buying a pair of trousers for £30, you might get 5 percent cashback, so that would be £1.50 in your account. Buying broadband or a phone contract? It's very common to nab over £100 in cashback.

Once your cashback has been tracked and confirmed, which can take between a few weeks to a few months, there are several options to withdraw. The money can be transferred straight into your bank account or you receive gift vouchers for places like Amazon, Tesco, Argos or the Eurotunnel. By choosing a gift card, you'll get a bonus on top.

So, for example, if I had £100 to withdraw from my Quidco account, it would just be £100 if I got the cash, but because Virgin Experience Days are offering a 25 percent bonus, if I withdraw via vouchers with them, they will be worth £125.

Here are a few more examples – at the time of writing Primark offer 6 percent, Footlocker 10 percent, iTunes 6 percent and Just Eat 7 percent, but of course the offers change all the time.

You shouldn't pay to use a cashback site, the best ones are free to use. My top two sites are:

- Quidco (my personal favourite)
- TopCashback.

Some companies also provide additional offers linked to using your card. This means you can get cashback in store, as well as online. If the deals don't come directly from your bank or credit card provider, you'll need to enter your card details so they can see where you shop and when you're eligible for cashback. You usually have to opt in for different brand deals but if you check about once a month you can just forget about it and watch the cashback roll in.

At the time of writing, some of the best card-linked cashback is offered by:

- Airtime Rewards
- Nectar Connect
- Quidco High Street and TopCashback In-Store Offers
- Halifax Cashback Extras
- Amex Offers from American Express

- NatWest MyRewards
- Santander Retailer Offers
- Lloyds Everyday Offers.

You need to think of cashback as a bonus, not a guarantee. So don't buy anything purely because of the potential cashback – think of it as the cherry on top of the cake.

A quick tip when it comes to cashback – don't let the money build up too much in your account because it's not yours until it's sitting in your bank account and it's not protected should the company go bust.

DEALS SITES

I love a deals site. I'm not talking Groupon and the likes, which I don't really rate very highly (for products anyway – experiences, restaurants and spa breaks can have good deals) but websites such as Hot UK Deals (HUKD), Money Saving Expert and LatestDeals.co.uk. I also recommend Facebook groups where these deals sites tend to take their information from, such as Luxury on a Budget, Skint Dad Deals Group and Latest Free Stuff and Competitions UK. I'd also shout out HolidayPirates who are amazing. They specialise in travel deals, including hotel, flight and package holidays.

The community-led sites are the best. The thing about a brand doing it is that inevitably they'll start thinking about the money they can make from affiliate links, rather than if it's actually a good deal.

Random people in the community highlighting something that is a good deal when they have no skin in the game? That's where you'll get the incredible bargains. The king of this is Hot UK Deals, which, incidentally, is run by the same company as Quidco.

I love sites like this for checking if things are a deal especially for tech items. If I'm looking for a new phone, I'll scroll through HUKD to see what 'has heat' (which means it's been voted as a good deal a lot, so it's 'hot') and check out the comments. The people in that forum know what they are talking about.

Facebook groups are a great place to pick up niche items. Whether you're after luxury products, baby clothes or even a car, you'll likely be able to find what you're looking for – there are groups for almost everything.

CAMELCAMELCAMEL

If you shop at Amazon, get acquainted with the brilliant (and free to use), CamelCamelCamel. It's a website that lets you check the historical prices of items that are sold on Amazon.

Amazon pricing is pretty shady at times, with dubious recommended retail prices (RRPs) and discounts that aren't really discounts. CamelCamelCamel lets you see if you're actually getting a bargain.

If you want to check the historical pricing of an item on Amazon, you copy the URL of the item and enter it into the search bar on

CamelCamelCamel. You'll be given the pricing history for that item, which will go back at least 12 months, and longer in some cases. It's displayed in a chart form, so you can see if the item is currently a decent price or if you should wait.

Once you know the cheapest the item has ever been, you can set yourself an alert on Amazon to get an email when it drops to that price again. It's how I used to find deals when I worked at Money Saving Expert.

If you're buying certain stuff for birthdays or Christmas, stick in the items to see what a good deal is then set up an alert so you can buy throughout the year. Need to buy it right now? Try Idealo for price comparison across many different companies.

VOUCHER SITES

I can't buy anything without a discount code. I just can't bring myself to do it. Typically, there's going to be one out there that will knock off 10 percent if you look hard enough. The first place to look is a voucher code site. The biggies include:

- VoucherCodes
- VoucherCloud
- HUKD
- LatestDeals.

They make their money through affiliate marketing (as explained earlier), so when you click a link on a voucher code site and buy something, the voucher site earns a percentage of the money you spend as a thank you for directing your custom.

Let's say I want to buy some shoes from Nike. I literally put 'Nike discount code' into Google and see what comes up – it takes two minutes. There are usually a lot of rubbish sites that pop up on the first page where the links don't work, but stick to the big ones I mentioned and the odds of a discount are more likely.

A newer development is to use voucher code browser extensions. These usually only work through Chrome on a desktop, but once you add them, they'll pop up with a message when you get to the checkout. Click on the pop-up and it will automatically test out the codes it has to see if any work on your basket.

DealFinder by VoucherCodes is the best one I've found for the UK, as some of the American ones have a lot of inactive codes. Pouch, Honey and Karma are some of the other big names on the scene and I expect they'll catch up soon. They do all the work of trawling Google for a valid code for you in just one click.

CLAIM LOYALTY POINTS WHEN YOU SHOP

They say (well, I say many times in this book) that loyalty doesn't pay. But in this one specific case, it kind of does. Sometimes.

If you are going to shop somewhere anyway then signing up to a

loyalty programme is a no-brainer. You might as well rack up those points. Loyalty programmes typically use apps or a points card, which exist to encourage you to come back to the store and, well, be loyal.

A loyalty programme might give you:

- Shopping rewards or cashback
- Points that can be redeemed
- Free gifts and early access to products or events
- Free shipping
- Special offers on your birthday.

My favourite loyalty programmes are the Boots Advantage card, Lidl app and Tesco Clubcard. Every loyalty programme is different but if they are free and save you money, you may as well sign up.

You don't have to have a wallet bursting at the seams either. Some offer an app for your phone, or there are specific apps that let you scan a digital version of your loyalty card. Keep hold of the physical card, though, as you'll need it to actually redeem the rewards. Apple Wallet and Google Pay will also let you add loyalty cards to your virtual wallet. I also like the Stocard app, which lets you store all your loyalty cards in one place, including ones from small independent stores.

FREE EVENTS

Sign up to Showfilmfirst – trust me. It's free to sign up and with it, I've been to West End shows, gigs and the cinema, all for free, while the people around me paid full price.

So why would venues give away free tickets? Well, it's not a good look to have a load of empty seats in the audience. Venues will sometimes charge you a couple of quid to secure your tickets because they've found people just wouldn't turn up if they hadn't paid anything. The tickets go quickly though, so don't hesitate for a second if you're interested.

EBAY BRAND OUTLETS

This is such a nice little trick, especially because no one seems to know about it. But did you know that some massive brands have official eBay outlets? Stores include:

- Footasylum
- Dyson
- Trespass
- Joules
- Oliver Bonas
- Jack Wills
- River Island
- Superdry

and a ton more.

Items are up to 70 percent off what you'd pay in store, though the items are typically sale items, old stock and so on. On top of that, eBay have semi-regular discount codes to use in these stores. If I

have my eye on something, I'll wait until a 10–20 percent discount code comes along and bag myself a massive bargain.

USING A CREDIT CARD: YOUR RIGHTS

If you're buying something that costs more than £100, it can be a good idea to pay with your credit card (even if it's a partial payment of 50p) because that means you will be protected under Section 75 of the Consumer Credit Act. Sounds boring, but it's really good.

When you pay for anything with a credit card, you're not instantly spending your own money. The credit card company is making the payment and you will pay them back later. What's good about this is that if something were to go wrong, like your payment details get hacked, it's the credit card company's money at risk, not yours.

It's the same if something you buy on your credit card doesn't turn up or breaks sooner than it should. If the brand won't sort it or give you a refund, under Section 75 your credit card provider is legally obligated to act for you.

And I know what you're thinking: 'Sure, but I'm not taking ASOS to court because they won't give me a refund, am I?' Well, you don't have to. I use this protection all the time. Usually there will be a form to fill in on your credit card company's website and, in my experience, nine times out of 10 the company will change its mind and your problem gets sorted.

CHARGEBACK

If you didn't use a credit card to purchase the item you want a refund on and used a debit card instead, you could try chargeback. It isn't as good as Section 75 but it's better than nothing. It's not legal protection but it's a voluntary scheme that American Express, Mastercard, Maestro and Visa have agreed to.

You can claim for a refund if you purchased the goods with a debit, credit or prepaid card. If you did pay for the item with a credit card, Section 75 is likely to be a better option for you.

If the place you've bought from isn't playing ball and won't give you a refund, you can use chargeback in cases where your item(s) hasn't arrived, it's damaged, different from the description or where the merchant has ceased trading.

You'll need to fill out a chargeback form, which will be on your bank's website. However, unlike using Section 75 under a credit card purchase, there are no guarantees as there's no legal obligation.

ACTIVITY

Have a look at the cashback sites and choose one to sign up to now – it's really quick. Then, every time you shop for something online you'll be earning cashback on eligible items.

If you want to go further, try one month of not purchasing anything unless you can find a deal or voucher code to use with the purchase. Once you've started, you won't want to go back to paying full price again!

11 BILLS, BILLS, BILLS

I don't know about you, but I sometimes feel like dealing with my bills is worse than actually having to pay them. It can feel like a lot of work to make sure you've set your Direct Debit up correctly, you're not overpaying or underpaying, that you remember to switch when you come to the end of your contract... the list goes on and on.

I know I have been guilty in the past of ignoring emails telling me to sign into my account to view my bill, or thrown the letters on the kitchen counter to deal with later then watch them pile up with the junk mail.

Bills can be a never-ending battle but they're so much worse if you're not organised. What you don't want is to be paying too much unnecessarily, or find you accidentally miss a payment, which could really hurt your credit score.

BILLS YOU'RE PROBABLY PAYING

There's a seemingly endless list of bills you're likely paying every month or year but there will be some big ones most of us have to deal with. Let's run through them quickly.

Council Tax

This is money that is paid to your local council. It funds local services, such as schools, rubbish collection, road maintenance, parks, libraries, the police and fire services, and so on.

The amount of Council Tax you pay depends on a lot of things, including your Council Tax band (calculated based on the value of your property at a specific point in time. It's a bit of a weird way to do it, in my opinion, but there you go) and the size of your house.

If you're a student, care giver or looking after someone not in the family, you might not have to pay council tax at all. If you live on your own, you should be entitled to a 25 percent reduction.

If you have to live in a larger house because you, or someone you live with, has a disability then you can ask to move to a cheaper band. You can also apply for a Council Tax Reduction from your local council if you are on a low income.

Whatever you pay, be aware that if you miss a bill, the council do not mess about. It's a priority debt, which means they'll throw everything they have at you to get the money back, including legal action, sending bailiffs and, worst-case scenario, prison. For more info on priority bills, refer back to chapter seven.

Utility Bills

When people talk about utility bills, they mean gas, electricity and water.

What's good about these bills is that you have some degree of control over the costs. In this chapter I'm going to sound like a broken record nagging you to switch providers but it's the quickest way you're going to be able to knock £100s off your bill by finding a cheaper deal. There are a few ways to do this:

- Call your current provider and ask for a better deal. It might seem too easy but you'd be surprised how often it works.
- Get on a comparison website, such as MoneySuperMarket, Compare the Market or USwitch. They do all the hard work for you by comparing tariffs. It only takes 10 minutes to see all the best deals out there.
- Join a switching club. These clubs mean you're automatically switched to a cheaper deal when one comes along, without you having to do anything. Money Saving Expert set up the original with its Cheap Energy Club, but of course there are others out there, including Look After My Bills.

Most people will pay for their energy bills directly, but some will have a prepayment meter physically in the home. If you have a meter, that determines how you pay, but it is possible to change these by contacting your landlord and/or energy company.

If your property runs on a prepayment meter, you need to top the money up by taking your gas and electricity card to a shop

or topping it up online (you 'pre-pay' to use, hence the name) while with a Direct Debit, you pay after you've used it. Prepayment is typically much more expensive, so if you can switch, do so ASAP. If you rent, speak to your landlord because you might need permission. This has just unlocked a memory of running to the shop with a fiver when all the 'leccy went out as a kid!

If you're on a standard meter your energy provider will estimate the amount of gas and/or electricity you will use over a year and charge you a set amount each month, though you can choose to pay quarterly. The payments are spread out through the year so you're not faced with big bills in winter when you're likely to be using more energy. It's important to send regular meter readings to your supplier so they can adjust the amount you're paying depending on your usage. If you have a couple of months where you use less energy, you can end up with credit on your account, which can be taken off future bills. If you really want to keep track of your usage, ask for a smart meter so you can keep on top of your consumption. That way you will avoid any unexpected bills.

The amount you spend on your utility bills will of course depend on how much you use. Do you like to bask in 30-degree heat in the winter and wash your clothes every other day? That's going to rack up. On the other hand, if you find yourself turning into your dad and turning off lights in unused rooms moaning that 'it's not Blackpool Illuminations in here', then you're cutting your costs.

Unlike gas and electricity, you cannot choose your water provider because, well, there's probably only one reservoir by you. The way water bills are calculated depends on whether you have a meter installed. If you don't have a meter the company will charge based on your home's 'rateable' value. That means you can use as much or as little water as you like and your bill will be the same price. If you have a water meter, you'll be billed for the amount you use. This option means you have some control over how much your bill will be but if you know you use a lot of water, you might be better off unmetered.

Internet, TV and Phone Bills

If you want the internet, you're probably going to have to pay for line rental, which costs £12 to £20 a month on top of your broadband package. This is the cost of maintaining the lines for the broadband network (it used to be so you could make calls from a house phone).

If you're happy to not have a landline phone, you might be able to get a package without this cost if there's the required infrastructure in your area – for example, full fibre, also known as fibre-to-the-premises (FTTP). With this option, you can still have a house phone, but it requires the internet so if your broadband goes down, it won't work. There are sites online that will show if you could get FTTP.

On top of line rental, you pay for a television and/or internet package. The cost of your package will depend on a number of factors such as if you want certain digital or satellite channels, internet speed and data allowance.

Always keep a note in your calendar when your contract ends because your provider will usually swap you to a considerably more expensive rate and you won't get faster internet or more data for your money. As with your utility bills, you can either speak to your current provider and try to get switched to a better deal, or shop around for offers from other providers.

If you have older relatives, or know anyone who might benefit from help with bills, you could help them out with switching. My parents were with Virgin for about 10 years and never switched. It wasn't until I moved back in with them for a while that I realised they were being charged £60 a month for basic TV and slow-ass internet. I've never called customer service quicker!

The same is true when it comes to mobile phone contracts. If you're coming to the end of your contract or it has ended, the first step is to benchmark prices elsewhere. Then call up your provider and say you're leaving if they don't offer something better – don't waste your time with the generic customer service team, you want to be chatting to the retention team (they often call themselves the disconnections department). It's their job to keep you as a customer and they are the ones who can offer better deals.

The thing that's going to radically impact the cost of your contract is whether it comes with a new handset or not. If yours is fine (or you can buy a cheaper new one up front), then ask to move to a SIM-only plan. This will save you a fortune.

Oh, and don't say yes to the first offer – play hardball. They've usually got something else they can pull out of the bag, especially if you are firm about leaving.

When it comes to most service providers, loyalty doesn't pay – in fact, you'll be the one paying!

TV Licence and Streaming Services

You need a TV licence to watch or record live TV on any channel, or to download or watch programmes on the BBC iPlayer. It doesn't matter how you watch it – on a TV, phone or computer – it's the law.

The cost of a TV licence can either be paid in full or spread over the year by paying in monthly or quarterly instalments. If you're a student, you can be covered by the licence at your parents' address as long as the device you're watching on has its own internal batteries, such as a tablet or a mobile phone. Note, this loophole doesn't cover laptops.

If you don't watch any live TV, or use the BBC iPlayer (and by that, I mean any, ever), you don't need to pay for a TV licence and can just watch other streaming services. If you go down this route, you can still access all the usual options, such as:

- Netflix
- YouTube
- Amazon Prime
- Disney+
- NOW
- Non-BBC catch-up services including ITV Player, All4 (anyone else still calling it 4OD?), My5, UKTV Play.

Remember, if you don't pay for a TV licence you can only use catch-up services for on-demand content.

Most streaming services, both for TV and music, can be paid for on a rolling monthly basis, so you can quickly switch between them and save by only paying for them one at a time. It's also good to watch out for any special offers or free trials for new customers. If there's one particular show you're desperate to watch, it might be possible to sign up for a free trial and just binge the whole thing during your trial period!

A lot of the streaming services also let you have multiple users with one paying account. The rules vary but if you can split the cost with housemates that's a way to save.

HOW TO ORGANISE YOUR BILLS

Now that you know what bills you're paying (or will be), here are some little tips and tricks to get them organised.

If You Live in a House Share

If you live in a house with others, you're going to be paying a share of the utility bills. Under no circumstances – and I mean no circumstances, not even a hot housemate asking you – should you get a joint bank account.

You might remember from chapter three that I don't even recommend getting a joint bank account with a life partner, so never mind your housemates. It only takes one person to mess up a payment or go into an unarranged overdraft and your own credit score will be ruined since you're also liable for the mess-up.

The easiest way to deal with shared bills is to use a bill splitting app. This means that everyone knows the total cost of household bills each month and the payment can be taken automatically at a pre-scheduled time.

There are a few out there but good ones include:

- Splitwise
- Tab
- Tricount
- Acasa
- Splid.

Automatic Payments

The easiest way to stay on top of all of your bills is to set up automatic payments as soon as your contract starts. Set up Direct Debits to be paid directly from your bank account every month (or however often your bill is due) so you don't have to worry about remembering when bills have to be paid.

Keep Bills in One Place

You should have a financial centre in your home. It might sound like a fancy term but I don't mean you need to have a whole office, or even a filing cabinet. A simple folder for anything that comes by mail will do and it's useful to also set up a separate folder within your inbox for any email correspondence.

If you're self-employed, or need to keep a record of your bills for accounts or tax purposes, it might be beneficial to scan them in and then either store on a hard drive or upload to a cloud storage system. This will save you from having to keep all the paper copies.

There are also free phone apps that offer this service, or simply take a picture and keep it in a folder on your phone. If you're going to go digital please make sure you have a back up of everything – never keep important documents only on your computer or phone!

Open All Bills

If you're behind on paying bills, or struggling with money, it can be tempting not to open them. You might also just be someone who isn't particularly organised when it comes to paying bills and think you'll get around to it at some point. If you can, open a bill as soon as it comes and put it in your folder to deal with. As mentioned previously, this is when having a Direct Debit set up can be really useful to save you any hassle.

If your mental health is stopping you from dealing with bill payments, ask someone you trust to help you out with bill management, or speak to your bank if you're falling behind.

Help With Paying Bills

If you find you can't afford to pay your bills, there are options out there to help you. First things first, don't assume you're not entitled to any benefits or grants. Check if you are eligible because it can make a massive difference. Some grants include:

- ***Warm Home Discount Scheme***
  If you're on a low income, you might be entitled to £140 off your electricity bill or a £140 voucher for your prepayment meter. Applications open every autumn and you apply directly to your supplier.

- ***Cold Weather Payments***
  If you're already receiving income support, income-related employment and support allowance or Universal Credit, you should receive a one-off payment to help you pay for extra heating costs when it's very cold. Each time the temperature drops below a specific point for a set period of time, you'll get

a payment. You don't need to apply for this support – if you're already in receipt of certain benefits it'll be paid automatically. If you meet the criteria and aren't receiving the money, contact the Jobcentre Plus to get the ball rolling.

ACTIVITY

I've got a little challenge for you. Got a bill(s) out of contract? Spend an hour switching and I bet you can save at least £250.

- Pick an out of contract utility to switch.
- Calculate exactly what you're getting or using and how much it costs you a month or over a year.
- Get on the comparison sites, enter your details and see what deals are out there. Money Saving Expert, MoneySuperMarket and ComparetheMarket cover most areas.
- Find the cheapest deal but also consider looking at their customer service reviews. For me, I don't like calling providers to deal with issues so I'll only use providers who will sort out issues through a chat box.
- See what you're going to save and then switch! Picking the deal takes the longest, once you've chosen it's just the click of a button.
- On to the next utility bill!

Consider adding up the total you've saved from switching and set up a direct deposit to a savings account – that way you're earning money from your switch.

12 PAYSLIPS AND TAX CODES

After a tight few weeks, there is nothing sweeter than getting your payslip. You see that nice big number, and bloody hell – how much tax? And what's that payment for, that can't be right? Sound familiar?

The big problem with not understanding how to read your payslip is that there could be a mistake on there that's going to cause you a headache later on. You might even call it a panic a-tax. Thank you very much!

If you're self-employed, the portions of this chapter that cover payslips won't be relevant to you since you don't have an employer. Skip to the tax section and see chapter eight for more information about different ways of structuring your business.

IT'S THE LAW

Unless you've been in a situation where you've needed to provide proof of earnings (and you likely will at some point in your life), you may think that your payslip isn't particularly important. You'd be wrong.

Not only does it have a lot of important information on it, it is also there to protect you. Thanks to the Payment of Wages Act 1991, your employer is legally obligated to make your payslip available to you either on or before the day you're getting paid.

By law, your payslip must contain the following information:

- The total amount you've been paid before compulsory deductions have been made, known as your gross pay
- The amounts of any variable deductions taken from your gross pay and what these deductions are for
- The total amount of any fixed deductions taken from your gross pay – these are deductions that don't change from payday to payday
- The total amount you take home after deductions, known as your net pay
- The method of payment.

Most people now receive a digital payslip rather than a hard copy but it's your employer's right to provide it in any form they wish.

WHAT'S ON YOUR PAYSLIP

1 **Payroll number**
Your payroll, or employee, number, is the number used by your employer to identify you for payroll purposes.

2 **Personal information**
Your name and, usually, home address. If these change, you need to let your HR department know as soon as possible so they can update their records and make sure your payslips are correct.

3 **The date**
The date on your payslip is typically the date that your pay will be transferred to your bank account.

4 **National Insurance (NI) number**
Your National Insurance number is used by HMRC to differentiate you from everyone else in the UK.

You are allocated a National Insurance number when you're 16, or when you move to the UK if you're older than 16. Once you receive it you'll start paying National Insurance contributions on any earnings to build up your entitlement to state benefits, including the State Pension (see chapter five for more information).

5 **Gross pay**
This is the big number. So everything you earn before any taxes or deductions are taken away. Your gross pay will be made up of your Base or Basic pay plus any overtime, bonuses or commissions.

6 **Tax period**
Tax periods are set by HMRC. They always run from the 6th of one month to the 5th of the next month and each tax year always runs from the 6 April to the 5 April the following year.

7 **Tax codes**
Your tax code is set by HMRC and tells your employer how much pay you can receive before they start deducting tax.

If your tax code is wrong, you could end up paying too much or too little tax, so it's really important you check it regularly. The most common time for mistakes to happen is if you've started a new job, especially if you change partway through a tax year.

HMRC should fix the problem but it might be wrong for a month or so. That said, if you've been paying too much, you'll get one of life's little miracles – a tax rebate in the post out of nowhere one day. Or alternatively, if you've been underpaying, you'll get a bill. Ouch!

If you're not sure what tax code you should be on, it's worth visiting the government's website to check your correct tax code.

8 **Tax deductions**
This is the amount of tax that should be deducted based on your tax code and pay level.

9 **National Insurance deductions, also called contributions (NICs)**
National Insurance is deducted from your pay if you are an employee earning more than £184 a week or £797 per month. If you're self-employed you'll pay NI if you're making a profit of £6,515 or above during the tax year.

10 **Pension details**
If you're part of your employer's pension scheme (which is likely thanks to auto-enrolment, see chapter five) the details of this will be shown. Your employer's pension contributions ('ER' = 'employER') will be listed along with your pension contributions ('EE' = 'employEE'), should you pay them.

11 **Pay year to date**
This is how much you've been paid (gross) in the current tax year. It's the biggest number on there and can really make you think 'Damn, where did all that money go?!' It's usually shortened to TD (to date) or YTD (year to date).

12 **Net pay**
The most important figure on your payslip as it tells you the amount that you will take home after all deductions have been made. This is the amount that you'll see in your bank account and what you're going to have to live on until the next payday. It's always worth checking this figure against your bank statement to make sure you've been paid the correct amount.

OTHER DEDUCTIONS FROM YOUR PAYSLIP

Student Loan

After graduating from university and earning a certain amount of money in a job, you'll have to start paying your student loan back, plus interest.

Each month you pay back a percentage of any income over the earning threshold detailed on the repayment plan you are on. So the more you earn, the more you'll pay back.

Other potential deductions:

- ***Court orders***
  For things like unpaid fines, debt repayments and child maintenance.
- ***Workplace benefits repayments***
  For things like rail season tickets or bike to work schemes.
- ***Charity donations***

LET'S CHAT TAX

When you see a salary for a job, sometimes your take-home pay can seem a bit unfair. But every penny you pay in tax and National Insurance contributions goes towards paying for services such as education, healthcare (NHS), policing, culture, the environment and so on. It's what funds the UK – in a way, you're getting that money back in the form of being able to go to hospital and so on.

As I take on freelance work alongside my full-time employment, whenever I do my self-assessment and see my tax bill for the whole year, I seriously consider going to prison for a bit instead of paying up (not that it works like that). Handing over one big lump sum is painful for me but after a few hours of sulking, I remind myself that it's a privilege. The more money I hand over, the better I'm doing and I'm happy to pay towards services that benefit everyone equally.

How You Pay Tax

If you're employed, you'll pay your tax through a system called Pay As You Earn (PAYE). Your employer deducts tax and National Insurance contributions from your wages, along with pension payments, every week or month. You will also have to pay tax on any bonuses or commissions you earn, too.

At the end of the tax year you'll get a form from HMRC called a P60. This details you how much you were paid in total over the year as well as the total amount of tax (and all other deductions such as NI and student loan) you paid.

If you are self-employed, it's a whole other kettle of fish. Rather than paying tax on individual jobs or earnings, you have to do your own taxes via self-assessment. This is something I have to do and I dread it for months because I'm not an organised person.

Since you will have to pay tax in a lump sum, you should set aside money each month to make sure you have enough to cover your tax bill. A good rule of thumb is if you're a standard-rate taxpayer, put 20 percent of your earnings into savings as soon as you're paid. If you're in a higher tax bracket, you'll need to save 40 percent.

If you're organised with your finances and feel confident, you can complete a self-assessment yourself. Or you might want to consider paying an accountant to help with your tax return and accounts in general. You need to make sure the cost of their work is less than the money they'll save you with accountancy magic. See chapter eight for more on whether you need an accountant.

Income Tax Rates and Bands

There are four bands that define how much income tax you need to pay on your earnings. For the 2021/22 financial year, they are:

• Up to £12,570	This is the personal allowance level and is tax-free.
• £12,751 to £50,270	This is known as the basic rate and is taxed at 20 percent.
• £50,271 to £150,000	This is the higher rate and is taxed at 40 percent.
• Over £150,000	This is the additional rate and is taxed at 45 percent.

Personal Allowance

When it comes to paying tax, it always amazes me that people don't understand that you don't have to pay tax on everything you earn.

At the time of writing, we're in the 2021/22 tax year so the standard person can earn up to £12,570 without paying a penny in tax – that's your personal allowance. You only start paying tax on anything that you earn over this amount. Note though that you do still pay National Insurance contributions on any earnings under this amount.

Have you ever heard someone say, 'I've been offered a promotion but if I take it I'll be pushed over into the higher tax bracket. Then I'll need to pay 40 percent on all my earnings so I'll actually earn less.' Let me show you how this is a load of rubbish with some quick maths.

Let's say you earn £60,000 a year:

- The first £12,570 is your personal allowance so you don't pay any tax on that amount.
- You'll pay 20 percent tax on £12,571 to £50,270.
  20 percent of £37,700 = **£7,540**
- You'll pay 40 percent tax over £50,270.
  40 percent of £9,730 = **£3,892**
- So your total tax for the year would be **£11,432**.

You don't pay 40 percent of your full salary (which would come to a whopping £24,000!).

These figures are based on the current tax year so are correct at the time of writing. They apply to England, Wales and Northern Ireland, but are different in Scotland as the Scottish government sets its own bands and rates.

SHOULD YOU KEEP YOUR PAYSLIPS?

There's an official answer to this. According to HMRC, you should keep your payslips for as long as 22 months after the end of the relevant tax year. So, for example, if your payslips were issued in the tax year 2020/21, you should keep them until February 2023!

You should also keep your P60s for at least two years, but it's a good idea to keep them for up to six years.

'But why?' you ask. Let me give you some situations in which you'll need them:

- ***Mortgage or loan applications***
  The paperwork you'll be asked to provide when applying is next level stressful. They'll want your payslips as proof of income.

- ***Tax rebates***
  If you've overpaid throughout the year and need to claim the money back from HMRC.

- ***Parental leave***
  You might be asked for payslips to claim for certain benefits, such as Maternity Allowance.

- ***Visa applications***
  For some overseas travel and visa applications you may be asked to provide proof of earnings.

- ***Queries on past pay***
  It's always easier if you have proof if you ever have questions around tax, student loan payments or pension contributions.

ACTIVITY

Get organised and gather all of your payslips and P60 forms together. It doesn't matter how you keep them – on a hard drive, online, printed out and filed – just make sure you have backups for anything digital.

Try to get as many as you can, with a minimum of 22 months for your payslips and two years for P60s. If you find any are missing, ask your employer or ex-employer(s) to resend them. The sooner you do this, the better, especially if you've moved jobs a few times over the years.

13 BUYING A HOME

Put down your avocado toast because it's time to get on the property ladder!

If only it was that simple. I'm not going to pretend the process is remotely easy or straightforward – it's long, time consuming and you'll need to make a trillion complicated and informed decisions along the way. I've just gone through the process of buying a house myself and I kid you not, I am greyer now than when I started.

Unlike a lot of European countries where it's common to rent your whole life, here in the UK we can be pretty obsessed with homeownership, so it's something a lot of us will try to navigate at some point in our lives.

It's certainly not easy, but if it's something you want to do, there's nothing like the feeling of finally getting those keys to your new home!

A NOTE ON BUYING IN SCOTLAND

Buying in Scotland is different from the rest of the UK. Most homes are sold through a 'blind bidding' system. This means that a seller will ask for offers over or around a minimum price. Homes usually sell for around 5–20 percent over, depending how posh the area is.

A formal offer on a property is put forward by a solicitor, rather than an estate agent. If your offer is accepted, the solicitor will send letters to agree the conditions of sale, known as missives. Once the missives are accepted and terms are agreed, you have a binding contract and if you pull out, can be liable to pay the seller damages.

What a lot of people like about the Scottish system is that you rarely get people 'gazumping' you. This is when a seller accepts your offer for their property but will then let someone with a higher offer come in and 'gazump' you, after the agreement has been made.

WHAT IS A MORTGAGE?

If you want to buy a house, you're going to need a mortgage (unless you win the lottery and are a cash buyer, lucky you!). But what is a mortgage? Very simply, it is a loan you can use to buy a home.

A lender, typically a bank or building society, will check to see if you meet certain eligibility requirements before they will agree to lend you a certain amount of money. There are a whole host of things they will use to determine this but the biggies are a stable and reliable income, a deposit and a decent credit score.

Your lender will also need to know the amount you have offered to pay for the property and will carry out a survey to make sure this is reasonable. This, along with your deposit, will also determine your loan to value (LTV) ratio. The higher the LTV ratio, the more expensive your mortgage's interest rate will be.

When you have a mortgage approved, it is based on the lender giving you a set amount of money that you agree to pay back, with interest, over a period of time. The standard repayment period is usually 25–35 years, although the maximum term is 40 years. It's worth noting that while a longer mortgage term might have lower monthly repayments, it will come at a financial cost thanks to the extra interest accrued. Paying a mortgage over 35 years can add tens of thousands of pounds' interest over the term.

Until you have fully repaid the lender (including all interest), you don't fully own the home. If you stop paying, the lender could potentially take your home, known as repossessing, and sell it to recoup their costs, though this would be the worst-case scenario.

THE MORTGAGE PROCESS

If you are a potential borrower, the first thing you should do is establish how much you are likely going to be able to borrow.

To calculate this, a mortgage lender will carry out an affordability assessment. A multiple of income can be used as a rough guide (usually about four times your salary or combined salaries with a partner) but it's the affordability of the mortgage repayments that will ultimately determine how much a lender will be prepared to loan. This means they will consider other variables including regular spending and outstanding debts.

There are lots of online mortgage calculators that you can use to give you a very rough idea of how much you could borrow, and how much the repayments might cost, such as those found on the MoneyHelper and Which? websites.

Using the Which? mortgage calculator, it suggests that a couple with a combined income of £50,000 could borrow somewhere between £150,000 and £225,000. It also helpfully says that to borrow £225,000 over 25 years with a 3 percent interest rate, they'd have to make monthly repayments of £1066.98.

Once you know what you might be able to borrow and what sort of deposit you will need, you can start to plan ahead. Before you even apply for a mortgage, you'll need to save a deposit and make sure your credit score is good, so let's cover that first.

SAVING FOR A DEPOSIT

This is the aspect that is usually the most difficult for people looking to buy a home, and will likely take the longest to achieve. In an ideal world, you want to save up at least 20 percent of the value of the property you want to buy. The bigger the deposit you can save, the better access you'll have to the best mortgage rates on offer.

Having said that, there are other mortgages available, including a 95 percent mortgage, which means you only need a 5 percent deposit. I'll talk you through different mortgage options later in this chapter but the takeaway here is, the more of a deposit you can save, the more deals will be available to you.

According to the Office of National Statistics (ONS), the average UK house price was a whopping £266,000 in 2021. That would mean you would have to save £53,200 in cash to have a 20 percent deposit. Of course, the average price includes multi-million pound mansions but depending where you live, house prices could even be significantly higher. It's a lot of money to come up with in addition to your usual cost of living.

If you are a first-time buyer, you'll have to save this money from scratch, rather than being able to sell your current property and using the money from that sale to buy a new one. This is where your budgeting and saving skills will have to come into play – refer back to chapters two and four. That said, there are ways to get there as quickly as possible.

Get the Government to Help

I briefly mentioned this in chapter three but this is one I would strongly recommend you look into – you know I love free money! A lifetime ISA (LISA) can be opened by anyone aged 18–39.

You can use a LISA either to help you save for your retirement,

or to help save for a deposit on your first home. You can save up to £4,000 each tax year into your LISA and – here's where it gets good – the government will top up your savings by 25 percent each tax year.

This means if you can save £4,000 a year, the government will give you a cash bonus of £1,000! And because it goes by the tax year, if you can deposit £4,000 in March and then £4,000 in April, you'd get a £2,000 bonus in one calendar year.

It gets better. On top of that 25 percent bonus (where else are you going to get that with interest rates as they are!), because it's an ISA, you'll be earning interest on whatever you save, which is tax-free.

There are some rules about the LISA that you need to watch out for. You can only use the LISA to save towards a deposit on a house with a value up to £450,000. As already mentioned, you need to be a first-time buyer, meaning you can't ever have owned a home, or part of a home, however briefly, anywhere in the world.

If you and your partner are both first-time buyers, you can both use a LISA to save but the £450,000 upper limit on property value still applies. There's also a 25 percent penalty applied if you decide to withdraw the money from your LISA for reasons other than buying a home. This more than cancels out the 25 percent government bonus, so you should think carefully before deciding to save this way if you aren't sure you'll meet the criteria.

You need to have a LISA open for a year before you can withdraw your savings without losing the bonus, so put some money in, even if it's just a quid, so it's ready to go when you need it.

Finally, don't forget to tell your solicitor that you're going to use a LISA towards your deposit as they will need to do the paperwork to release the funds in time for your purchase.

If a LISA isn't viable for you, there are other options from the government that could work:

- ***Help to Buy Equity Loan***
  This is a loan offered by the government to help people make up the difference in their deposit for a new-build house. With a minimum of a 5 percent deposit based on the property's value, you can borrow up to 20 percent so you can secure a 75 percent mortgage.

- ***Help to Buy Shared Ownership***
  This is an option for those who can't afford a big enough deposit, or can't obtain a big enough mortgage, to cover 100 percent of the value of a property. Instead, you can buy a share of the property, usually between 25–75 percent, so you would only need to find a deposit and mortgage to cover that share. However, you then have to pay rent to a landlord on the remaining share, which doesn't go towards paying off the mortgage. See more information on shared ownership later in the chapter.

As with any financial products, you should think carefully about what works best for you. Don't assume that because these are government-backed schemes they will automatically work for you. There are pros and cons with anything and I have heard some horror stories! Consider talking to an impartial expert who can advise you which option works best for your personal circumstances.

Cut Your Rent

Housing is probably going to be your biggest monthly expense, so if you can cut it down, or even better cut it out completely, that's where you will see your biggest savings.

I lived with eight people in a house share in London for about six years while saving up my deposit. It was often incredibly fun but there were also times where I'd come home to a housemate getting it on with a man three times her age on the living room sofa. So you know, swings and roundabouts. It might not be for everyone but it definitely keeps things cheap.

If you have the option, and could bear it, you could consider moving in with your parents for a few years. Being able to live with little to no rent will help you rack up your savings quickly.

Ask Your Family

For many people, the only way they can take that first step is thanks to help from family. It can be an awkward conversation asking for money but your family members may have money put aside for you.

If it's not possible to have a lump sum, you could ask for money instead of gifts for your birthday and Christmas. Take any money you get and stick it in a savings account to accrue interest. Over the months and years you save it will help – you could also consider putting the money into a LISA, as previously discussed.

There are other ways your family can help, for example acting as a guarantor for a mortgage or taking on a family offset mortgage. These options come with some financial risk and even legal obligations so won't be for everyone. If you're interested, always speak to an independent adviser for help.

Of course, asking family for money isn't going to be an option for everyone – don't get dispirited if this is the case. It's certainly not the only way, you just need to have a clear plan to save the money you need.

BUILDING UP YOUR CREDIT SCORE

We talked about the importance of your credit score in chapter seven where we covered debt.

A lender will use your credit score as an indicator of your financial health. If you've missed a payment for your phone bill, it will be on your file. Got store cards? Yep, it's been noted. Paid off your credit card on time every month for two years? They know about it.

Your credit score is compiled by credit reference agencies who, in a quite scary way, know far too much about us, but what can you do? The big three in the UK are Equifax, Experian and TransUnion.

You will need a good credit score to increase your chances of being accepted for a mortgage and to get a lower interest rate. The process by which a lender determines your score is all a bit murky and mysterious because there is no such thing as a universal credit score. Each lender has its own eligibility criteria in place to decide whether they'll give you a loan or not and no one knows the systems, or differences between them. One lender might accept you while another might turn you down.

To give you an indication of how a lender might see you and your finances, the credit reference agencies produce their own version of a credit score. The higher the number, the better you look but it's certainly no guarantee you'll be successful.

You can check your credit score for free, without negatively impacting it. If your score is low you'll need to try and improve it to better your chances of getting a mortgage offer. This won't happen overnight – it can be a bit of a slog. It's all about showing the lenders that you are good with credit so pay your bills and accounts on time, over as long a period of time as possible to build a strong credit history.

A warning to you: a simple missed payment of any kind will negatively impact your score, so get organised. You'll kick yourself for knocking 100 points off just because you were careless about paying a bill.

If you have already missed payments, don't worry. Defaults and County Court Judgements (CCJs) on your report will hang around for six years but the negative impact of them should reduce as the record ages, as long as you've paid them off.

There are a few things you can do to help build your credit score and make sure you're moving in the right direction.

Register to Vote

This is an easy one. Make sure you're on the electoral register at your current address as lenders will use this to check your name, address and where you've lived before. If you're not on it, they could turn your application down.

Prove You're Good With Managing Debt

It seems counterproductive because not needing debt seems to show you're good with money. But if you haven't borrowed before, it's difficult for a bank to judge how likely you are to meet repayments, which impacts your credit score.

Taking a small amount of credit out can help you borrow larger amounts in the future, as long as you manage it well.

You could consider getting a credit builder card, which can help you build up or rebuild your credit score. They typically have low spending limits (just a couple of hundred quid) but very high interest rates. Ideally you want to pay off the full outstanding balance each month so you're not getting into unnecessary debt.

Pay on Time and Stay Within Your Limits

This is non-negotiable – you have to be able to show a lender that you always make regular repayments. A missed payment will negatively impact your credit score. Your behaviour over the last 12 months is the most important to lenders so if you've messed up in the past, it's not the end of the world.

Avoid Multiple Applications Within a Short Period of Time

You don't want to look desperate. Too many applications for credit tell a lender that you're struggling for money.

Check for Mistakes

Check your credit report to make sure there are no mistakes. You can get a copy of your credit report from one of the previously mentioned credit agencies – it's free if you sign up for a free trial. Or try CheckMyFile, which gives you a 30-day trial to see your

Equifax, Experian and TransUnion reports in one place. Don't forget to cancel the trial after you've looked or it will cost you.

Even small mistakes, such as a mistyped address, can affect your score and could be enough for a lender to refuse you credit.

Keep Old Accounts Open

Like I've said, the key is to show lenders that you can manage credit well, over a long period of time. Keeping old accounts open shows a longer credit history and can look good on your report.

WHAT'S THE DIFFERENCE BETWEEN MORTGAGES?

You've got your deposit and a decent credit score, now it's time for you to choose your mortgage. There are so many options on offer, and what is available can change, so there's no one-size-fits-all situation here. So trust me when I say this: talk to a mortgage adviser.

A mortgage adviser is a qualified professional who looks at your very specific circumstances and finds the right mortgage deal for you. London & Country are a mortgage broker that is recommended by a lot of experts. They don't charge as they take a fee from the lender but take the time to find an option that works for you. If you know anyone who has recently gone through the process, a personal recommendation can also be helpful. If you're self-employed or run your own business, it might be worth looking for an adviser with experience in this area. There will likely be different requirements when applying for a mortgage, such as your lender requesting previous tax bills.

You can use a broker to help you look for a good mortgage deal on a new property, or to help you get the best deal when remortgaging (which is when you switch to a new mortgage on your existing property).

The Loan to Value (LTV) Ratio

As briefly mentioned, the LTV is an important factor used to determine the cost of your mortgage. It is the ratio of the value of the loan to the value of the property, and is expressed as a percentage. So, for example:

- You want to buy a £100,000 property and you have a £10,000 deposit.
- You would need a loan (mortgage) of £90,000 to cover the cost of the property, minus your deposit.
- Your loan to value ratio would be **90 percent**.

The higher your LTV, the greater the risk to the lender. This means they will charge a higher interest rate to cover themselves, making your mortgage more expensive. You should aim for a mortgage with the lowest LTV you can, although of course first-time buyers will normally have a high LTV mortgage unless they have a large deposit. Over the years, as your mortgage is paid off, you can switch to a lower LTV and comparatively better interest rate.

Interest Rates

Interest rates are one of the most important things to consider when choosing a loan. They are determined by two things:

- The current market
- The level of risk the lender takes on to lend you money.

The bigger your deposit and the better your credit score, the cheaper your mortgage is likely to be. You have cash and have proved that you're good with credit, which makes you less of a risk.

TYPES OF MORTGAGES

I'm going to briefly talk you through different types of mortgages so you get an overview of what is on offer. The below isn't all of the information you'll need when deciding on a mortgage but it's a good jumping-off point.

REPAYMENT VS INTEREST-ONLY MORTGAGE

You'll have to choose either a repayment or an interest-only mortgage. Here's how they work.

Repayment

Over the term of your mortgage, every single month, you'll pay back a set amount of the money you've borrowed, plus the interest. At the end of the mortgage term, you'll have paid off the entire loan so 100 percent of the house is owned by you.

Interest-only

This option means that, each month, you are only paying the interest you have accrued on your loan. You don't actually pay off any of the balance on your mortgage. Hence the name, interest-only.

Over the term of your mortgage, the amount you pay every month will be lower so in that sense it's more affordable. However, at the end of your term you'll have to pay the total amount in full, which, depending on how much you borrowed, could be a hefty sum. New rules around interest-only mortgages mean you have to show a suitable repayment plan to pay off the original loan when you take out the mortgage.

FIXED-RATE VS VARIABLE RATE MORTGAGE

The interest rate plays a big part in how expensive your mortgage is and how long it will take you to pay it off. They have been reasonably static for a while, and are still at historic lows, but can and will change.

Tracker Mortgages

Tracker mortgages have a variable interest rate, which can go up as well as down. This means your monthly payments can vary month to month.

In the UK, tracker mortgages work by following the Bank of England base rate. This is the rate at which the Bank of England pays interest to commercial banks on money they hold with them. This in turn influences the rates at which those banks pay or charge interest on savings and loans with their customers.

The rate you pay will be calculated on the base rate, plus an agreed percentage on top. If the base rate changes, so does the rate you will pay on your mortgage.

Fixed-Rate Mortgages

When a lender says 'rate', they mean interest rate. So, with a fixed-rate mortgage, your lender guarantees your interest rate will stay the same for an agreed-upon fixed term.

A fixed-rate mortgage will specify the period – usually two, three or five years – after which the interest rate can change. Once it has expired, you would look to remortgage and find a new deal.

Short-term deals are cheaper than a longer-term fix, but the advantage of them is that you know exactly how much you need to pay further into the future, so it's easier to plan for. A fixed rate will protect you against interest rate rises in the economy in general, but if the interest rates drop then you will be stuck paying a comparatively more expensive mortgage.

95 Percent Mortgage

A 95 percent mortgage allows you to borrow 95 percent of the value of the property with just a 5 percent deposit. Your loan to value ratio (LTV), as discussed, will be 95 percent, hence the name.

This option means you might be able to get on the property ladder if you don't have a big deposit. But, and it's a big but, because there's a bigger risk of falling into negative equity with a smaller deposit, lenders will charge a much higher interest rate to cover any potential losses. Equity is simply the value of the property that you own outright, and negative equity is when your property is worth less than the outstanding mortgage balance.

For example, say you bought your house for £100,000 with a £10,000 deposit and took out a £90,000 mortgage. Over two years, you paid off £5,000, leaving an outstanding mortgage balance of £85,000.

If the value of your property increased by £20,000 in that time, it would now be worth £120,000 and you would have equity of £35,000 (£120,000 - £85,000 = £35,000). However, if the value of your property decreased by £20,000 in that time, it would now be worth £80,000 and you would have negative equity of £5,000 (£80,000 - £85,000 = -£5,000).

Another drawback is that because these mortgages have a higher interest rate, more of your repayments go towards paying the interest and less on paying off the outstanding balance. This makes it more difficult to build up equity in your home and you might not be able to remortgage and secure a better deal on a lower LTV ratio when your current one ends.

Joint Mortgage

A joint mortgage means you've taken out the loan with another person. This is often the option couples choose but you can take out a joint mortgage with anyone. The benefit of a joint mortgage is that you can combine your incomes to increase the amount a lender is likely to offer. This means you can afford a more expensive property than you could on your own and, for some people, this is the only way to get on the housing ladder at all.

There are a couple of options for a joint mortgage that you will need to make a decision about when you apply. Under a joint tenancy, both partners jointly own the whole property, while tenants-in-common means each person owns a specified share, which doesn't need to be equal.

Standard Variable Rate (SVR) Mortgage

A standard variable rate mortgage is your lender's default interest rate. It's probably not a particularly good rate and won't have any offers attached.

After the initial mortgage deal has expired, a lot of people find themselves automatically put on their lender's SVR mortgage, which might not be the best rate. At this point, you should look into remortgaging or speak to a broker to explore your options.

SHARED OWNERSHIP

If you ask people about shared ownership, you'll get some strong opinions. Some people really like it as an option because it helped them get on the property ladder, while others feel that entering into a shared ownership scheme has ruined their lives. The scheme itself isn't necessarily good or bad but you need to make sure you thoroughly research the pros and cons before entering into one.

Shared ownership is a halfway house between renting and buying and is usually only open to first-time buyers. Very simply, they work by letting you take out a mortgage on a portion of your home, ranging from 25–75 percent, and then you pay rent on the remainder of the value.

One of the biggest draws for first-time buyers is that shared ownership helps to reduce the biggest obstacle – the need to raise a large deposit. A typical shared ownership deposit is 5–10 percent of the share you are purchasing.

Over time, you can increase your owned share of the property through a process called 'staircasing'. This means you buy a further percentage, or share, of your home, with the aim of eventually owning it outright.

However, this can be very expensive. Each time you want to buy a share, the housing association will carry out a property valuation of your home, meaning you must purchase at the current market value, not the price at the time you first bought. If you live in an area where house prices are rising, this can be thousands of pounds at a time. When you buy a share, you will also need to remortgage, meaning you could pay fees or lose a good deal, as well as having to pay solicitor fees for yourself and the housing association.

SO, WHAT ARE THE DOWNSIDES?

You're Still a Tenant

Even though you own a share, you are still effectively a tenant until you own 100 percent of the property. If, for example, you couldn't keep up with payments you could possibly be evicted and lose the portion of the home that you have already paid for.

Service Charges

Since you live in a shared building, you have to pay a service charge to cover the cost of maintaining the communal areas.

Usually you have a limited say in costs, which can go up with little warning. I heard one example of someone whose charges went up £295 over two years and there's really nothing you can do about it.

The Lease

Shared ownership properties are run by housing associations so are leasehold. I'll discuss leaseholds further later, but let's just say they are tricky things. Plenty of people live in and sell leasehold properties with no problems but there are many who are stuck in their homes because of loopholes and extortionate charges from the landlord to extend the lease. This should be less of an issue with housing association properties, but it is something to consider.

Restrictions

Under your lease there are likely to be various restrictions, ranging from if you are allowed pets in the building to permission for structural changes. If there is anything you are required to ask the housing provider's permission for, you will have to pay a fee. The fee is just to ask – and they can say no!

If you think shared ownership might be your only option to purchase your own home, carefully consider the pros and cons of this versus private renting. If you can rent somewhere that isn't too expensive and save up for a larger deposit, it might give you more freedom in the long run.

CHOOSING A PROPERTY

I'm going to be honest with you: when it comes to choosing a place to call your own, it can be a bit of a nightmare. It isn't quite like TV favourite *Location, Location, Location* when you don't have much money to play with and you have visions of a beautifully designed home like the ones you see on Instagram. You won't believe the state of some of the flats we saw when buying our first home but they were the only properties within our budget.

That said, knowing what I know now, here are a few things that I would always consider when buying a property.

Aim for a Property You Can Stay in for a Long Time

One thing I can promise you is that buying a house is very expensive and can be borderline traumatic. In an ideal world, try and buy a property that you see yourself being happy in for the long term.

Of course, this won't be possible for everyone as budget restrictions often play a factor, but try to future-proof where you can. If, for example, you think you might have children in the near future, consider schools and bedroom space. This will help you to avoid having to go through the whole process again after a couple of years.

Chain Free Is the Dream

When buying a property, it's the 'chain' that is going to cause you the sleepless nights. If the current owner of your chosen property is also buying somewhere, that's already a chain of three.

Everyone is linked because everything needs to run smoothly for all involved in order to complete the buying process. If someone pulls out of a sale or something goes wrong with a mortgage application (which happens a lot), then the chain breaks and you're back to square one. The longer the chain, the more likely it is that something will go wrong, which can be very time consuming and expensive.

'No onward chain' are the three magic words every buyer wants to see when purchasing a property. This means the property you want to buy is not reliant on the successful purchase or sale of other properties up the chain. There's often no onward chain for properties owned by older people who have either moved into care or passed away.

If you are a first-time buyer, you are chain free since you are moving out of rented accommodation or similar. This can be used to your advantage – you'd be surprised how much it's worth to a seller and gives you a lot of bargaining power to get prices knocked down.

Carefully Consider Freehold vs Leasehold Properties

As briefly mentioned, a leasehold property means that you have a lease from the leaseholder (aka a landlord) to use the home for a specified number of years. Leaseholders will have to pay ground rent, maintenance fees, annual charges and a portion of the buildings insurance. It's more common for flats to be leasehold properties.

In contrast, a freehold means you own the building and the land it sits on. There is no landlord, you own the 'title' absolute. If possible, most people prefer this option as it's all theirs and they are not at the mercy of a landlord.

I was told numerous times to buy a freehold rather than leasehold property but I ignored this advice because I could only afford a flat and the vast majority of flats are leasehold. If I could go back in time, I would listen and spend more time saving or searching for a flat that had a joint freehold.

Listen: a leasehold property isn't of itself a bad thing and it could be right for you. For some people, especially in London or big cities, a leasehold is pretty much your only option. But in my experience, selling one has meant nearly a year of stress, many tears and thousands of pounds wasted on fees and solicitors. If you are thinking of buying leasehold, it would be worth checking out the Facebook group National Leasehold Campaign (NLC) and reading some of the stories there, as well as speaking to an adviser.

That said, if you're buying a leasehold property you need to check two things:

Length Left on the Lease

Once the lease on a property falls below 80 years, the value of your property can decrease. It makes it incredibly hard to sell since most lenders won't give you a mortgage on a lease that short. On top of that, if you need the lease extended in order to sell, landlords can literally charge whatever they want to extend the term.

The flat I sold had 97 years left on the lease and buyers were still asking us to pay for an extension, with our landlord quoting £20,000 for a 16-year increase. Of course that's only one example, but it shows the costs that can be associated with lease extensions.

The shorter the time left on the lease, the more expensive the fee to extend. For people who can't afford to pay, they can become stuck in the property, unable to sell.

Rising Ground Rent Clause

A tricky thing you need to be aware of is if your lease includes a rising ground rent clause.

Ground rent is paid to the freeholder annually. If your lease has this clause written into the contract, your ground rent can increase over time, which can have serious financial repercussions later down the line.

We also had this problem with our flat. The clause specified that ground rent doubled every 30 years, and as it was £200 a year we thought it wasn't going to be an issue. It was very affordable, even in 25 years when it would double to £400.

However, because it would eventually get to large sums that are unsustainable, some lenders will not give you a mortgage even though the problem is decades away. And, of course, the landlord can charge as much as they like to provide you with 'peppercorn rent', which practically stops the doubling, by making the ground rent cost nominal. We were quoted £12,000 to amend our lease, with lawyer's fees on top.

HOME BUYING COSTS YOU MIGHT NOT HAVE CONSIDERED

Okay, you've got a mortgage and have a property in mind. You're almost there! But buying a home isn't easy so you need to account for several additional costs beyond the purchase price. Often forgotten, these costs can add more than 10 percent to the total bill. I've listed some of the most common below but speak to your mortgage adviser and solicitor to check what will apply to you.

Stamp Duty

Stamp Duty Land Tax (SDLT) is a tax that is charged by the treasury on property purchases and will vary depending on the cost of the home. Stamp duty must be paid by the buyer, not the seller.

Stamp duty applies in England and Northern Ireland. In Scotland a similar tax but with different rates and bands called the Land and Buildings Transaction Tax applies, and in Wales there is a tax called Land Transaction Tax. The following information relates only to SDLT, but you can find more information about the taxes in Scotland and Wales on the Scottish and Welsh government websites.

SDLT works in rates and bands (a bit like income tax) and at the time of writing they are:

- Property value up to £125,000: zero stamp duty
- Property value £125,001 to £250,000: 2 percent
- Property value £250,001 to £925,000: 5 percent
- Property value £925,001 to £1.5 million: 10 percent
- Property value above £1.5 million: 12 percent

For example, on a £400,000 home, the SDLT owed would be:
£125,000 x 0 percent
+ £125,000 x 2 percent
+ (£400,000 - £250,000) x 5 percent
= £0 + £2,500 + £7,500 = £10,000

There are calculators on the government website to help you work out how much stamp duty you would have to pay. Your solicitor will calculate the actual rate and let you know how much you need to pay.

The good news here is that, at the moment, there is a discount for first-time buyers. Note, all people buying must be first-time buyers to qualify. There is currently no SDLT due up to £300,000 and a 5 percent rate applies on the portion from £300,001 to £500,000. If the purchase is for a property over £500,000, you can't claim the discount.

Conveyancing Fees

Conveyancing is the legal process involved in buying a property. You'll need a qualified lawyer for this and it's the part where it feels like nothing is happening and everything takes forever, but is costing you a lot of money (I'm sure they are working as quickly as possible!). These fees can be split into two parts:

- ***The legal fees***
  The cost of the lawyers doing the work.

- ***The disbursements***
  The searches the lawyers do that flag up any issues you should be aware of. They also register the change of ownership with the Land Registry.

If you have a leasehold property, you might need a lawyer to fix any problems and/or try to extend the lease for sale. This can cost a fortune – personally, my lawyer quoted me £250 an hour to do this (not including the practice's general fees for doing the work and VAT), and I was told that's a pretty decent price.

Survey Costs

It's well worth getting a professional survey carried out to determine the state of your building's construction and condition before you buy it. Surveys can be very expensive, depending on the type of report you choose to have done.

There are three types of report:

- ***Condition Report***
  This tells you what condition your property is in and what risks, legal issues and defects there are. Costs range from around £400 to £950.

- ***Homebuyer Report***
  This includes everything on the condition report but also gives advice on potential repairs and maintenance. This costs around £450 to £1,000.

- ***Building Survey***
  This is an in-depth look at the property's condition that also gives advice on repairs and maintenance. A building survey is often advised for larger and/or older homes. They cost about £600 to £1,500.

When you receive your report, you might be horrified by the list of things that need fixing. On my last one, I was told there was a radioactivity risk!

What's more annoying is that if something comes up in the survey that is potentially serious, you have to get a specific professional in to do an advanced survey, which costs even more. It can all add

up to a lot of money but I suppose it's better than the place falling down after you buy it.

Mortgage Valuation Fees

Some mortgage lenders will want to conduct a valuation survey, which is typically around £200 to £300.

Mortgage Arrangement Fees

A mortgage lender might also charge you mortgage arrangement fees, which can cost from around £200 to £1,000+. This covers their administration costs.

Mortgage Broker Fees

We discussed mortgage brokers earlier – some will charge a fee, usually up to £400, while others do it for free and then take a fee from the lender when your application is accepted.

Life Insurance

You don't have to get life insurance, but your lender will (or should!) strongly suggest you get some, because if you, or someone you own the home with, were to die or become unable to work, then the insurance can cover the missing mortgage payments. This ultimately means you, or your family, won't lose the home if payments became unaffordable.

Buildings Insurance

Your mortgage lender will usually require you to get buildings insurance. It covers repair and rebuild costs if your home is damaged or destroyed. According to MoneySuperMarket, the average cost is £111 a year.

Removal Costs

If you're a first-time buyer, you're unlikely to have accumulated lots of furniture you'll need to move but you might need to hire a van at the very least. If I was you I'd start buttering up some strong mates who could help you carry things for free!

If you do have a lot of stuff, you might need to get in a professional firm, which can cost thousands of pounds depending on the size of your house and how far you're moving.

Furniture and Redecorating

Now you have a home, you have to fill it! I'd say take your time, wait for deals (see chapter 10 for my deal-hunting tips) and get on resale websites such as Gumtree or Facebook Marketplace. I am obsessed!

And if you've got a do-er upper, always bear in mind it's going to cost more than you think it will to do any work. Sometimes you'll end up with a money-pit, which is a home that always seems to need repairs.

You may have to completely replace kitchens, bathrooms, carpets or maybe even knock down walls to get the dream layout. This can all run in the tens of thousands of pounds.

Some advice I was given is to live in it first. Don't buy and make big, expensive changes straight away as you may end up regretting them. Settle in, see what works and what doesn't and slowly make changes over the years.

ACTIVITY

Whether you've saved the money for your deposit and are ready to apply for a mortgage, or you're at the start of the process, it's always a good idea to check your credit score.

You need to know what you're working with, face up to any problems and ultimately improve it so you're in the best position to get a mortgage offer.

So, use one of the free online credit reference agencies to check your score.

Once you know what you're dealing with, use the tips in the Building Up Your Credit Score section starting on page 164 to improve it and get on your way to homeownership!

14 FINANCIAL WELLBEING

They say 'health is wealth', and that is true but I think the phrase also works the other way around.

How comfortable you are in your current financial situation is intrinsically linked to your mental health. They impact each other, so when one aspect isn't doing well, you can find yourself stuck in a downward spiral.

Money problems stress you out so much it impacts your mental health. It could leave you with stress, anxiety or depression.

Your stress, anxiety or depression (or a combination of all three) makes it hard for you to manage your money. You might not have the energy to deal with bills, or be able to concentrate on your budget, for example.

You develop money problems, or existing ones start to get worse.

Your mental health declines further, maybe even impacting your physical health. You might have to take time off work.

Because of this, your money problems get more severe.

And so on.

I want to talk to you about spotting the signs that financial stress is starting to impact you, as well as give you the tools to deal with it in a practical way. I'll also touch on some prevention techniques.

Everyone gets stressed out about money now and then, but if it is constant over long periods of time and starts impacting your life negatively, you need to do something about it.

And don't worry, there are ways to get through tough economic times, ease your stress and anxiety and regain control of your finances. You're not alone.

IF YOU'VE HAD AN INCOME SHOCK

There is nothing much more stressful than experiencing an unexpected income shock. An income shock is when something happens in your life that causes your income to suddenly drop.

This could be through:

- Losing your job
- Becoming too sick to work
- Having a relationship break down
- Changes to your benefits.

Hopefully you'll have an emergency fund available to get you through the next three months (see chapter four for more on this) but if not, you're going to have to work extra hard to get back on your feet financially and protect your mental health.

Get Down to the Jobcentre Straight Away

Get every single benefit you're entitled to. Don't wait weeks to go because there is usually a lengthy delay from you 'signing on' to actually getting the cash. Check online to see what you're entitled to.

Speak to Your Creditors

If you have outstanding debts and don't think you'll be able to make the repayments, make sure you speak to the people you owe money to ASAP. They'll help you work out an affordable payment plan or give you a repayment break. The same goes for all of your bills. Don't wait until you can't pay them and miss a payment as this will negatively affect your credit score.

The sooner you do these two things, the better. It will mean that you're getting some income and people won't be stressing you out by chasing you for money.

Now that you've taken the first steps, you need to start thinking ahead.

Maximise Your Income

This might mean sorting out your CV and applying for new jobs, starting up a side hustle (see chapter eight), cutting back on bills (see chapter 11), or anything that either increases your income or decreases your outgoings.

Relook at Your Budget

You need to put a new strategy in place that takes into account your current financial situation. Look back at chapter two for budgeting tips.

Get Very Organised

Even more so than usual. This will help with your mental wellbeing, as well as financially. Create a checklist of things you want to achieve and break everything down into small, manageable steps. This will give you some control and let you take charge of the situation.

You Have No Time for Shame

You are likely to be experiencing a lot of emotions that need to be addressed and are very valid, but shame shouldn't be one of them. You've had a major setback but you're dealing with it, doing your best and you have the right to ask for help. Financial shocks happen to all of us at some point so don't feel ashamed of your situation.

I've been made redundant twice and both times I felt like my world was imploding. I remember sobbing, SOBBING, outside the office with my things, while everyone looked at me as they passed (it was London so obviously no one gave a shit and asked if I was okay!).

Both times I allowed myself 24 hours to mope. I could cry, bitch, get pass-out drunk, whatever. But after that it was action stations time.

Giving myself a set period of time to acknowledge my feelings and then move on really worked for me and could be a useful strategy for you, too.

IF YOU'RE STRESSED ABOUT MONEY ALL THE TIME

If the feelings of stress and anxiety are non-stop and you're feeling miserable because of your financial situation, the worst thing you can do is ignore them and let them spiral out of control.

Financial stress can lead to:

- Sleep difficulties
- Depression
- Anxiety
- Relationship difficulties
- Social withdrawal
- Physical ailments
- Unhealthy coping methods.

Get Professional Debt Help and Advice

If you have problems with debt, there are a lot of things you can do to ease the pressure. Read chapter seven for more detailed information on dealing with debt, but one of the easiest things you can do is speak to your creditors, as previously mentioned. If you tell them you can't make your payments and your mental health is suffering, they have to help you.

Open Up About Your Feelings

Keeping your problems and feelings inside doesn't make them go away. If you feel comfortable, and it's safe to do so, talk to your friends or family about your situation. They say a problem shared is a problem halved and sometimes just sharing how you are feeling can help to take the pressure off.

There might also be occasions where they are unwittingly making your situation more stressful by asking you to participate in expensive nights out, gift giving and so on. If they know what you are dealing with, they can support you through it.

If you don't feel able to talk to friends or family, consider speaking to a professional. You can speak to your GP, who might be able to refer you to services, or certain charities and organisations offer free counselling services, such as Mind, Rethink Mental Illness or local Turning Point branches. If you are a student, your university or college should offer you access to free cognitive behavioural therapy (CBT).

If things become too much and you are thinking about harming yourself, the Samaritans is a free 24-hour helpline. It's free to call on 116 123.

Do a Financial Inventory

If you have a constant feeling that life isn't as good as you want it to be and a lack of money means you can't enjoy yourself, then you need to start your money intentions again. Go back to the first chapter, where you visualise exactly what would make you happy. Once you have an idea, work out the chain of events that would lead to you achieving that goal, adjust your budget and put a plan in place to make it happen.

And when it comes to your budget, it's not good enough to do it once and assume it will continue to work for you for months or years. Your budget should adapt with your life, whether that's through income changes, savings goals, investments or more.

To fix a problem, you need to understand the problem. It might not always be pleasant to face, but it is a vital step in gaining back control of your finances.

Manage Your Overall Stress

You might find that stress from another area of your life can also impact on your financial wellbeing.

UNHEALTHY COPING MECHANISMS

The worst thing you can do if you're dealing with stress, mental health issues and financial problems is turn to unhealthy coping mechanisms. This will not only make your financial situation worse but it brings with it a whole new host of issues to contend with. The most common coping mechanisms I see through my work are:

- Over-drinking
- Gambling
- Compulsive spending.

When it comes to drinking or gambling addictions, I'm not qualified to give you advice. If you feel you're struggling with drinking, there are lots of options to get support. Speak to your GP, look for an

Alcoholics Anonymous (AA) meeting in your local area or contact Drinkline, the national alcohol helpline. You can call Drinkline for free, and in complete confidence, on 0200 123 1110.

If you are struggling with gambling, speak to your GP or contact GamCare who offer a free, confidential helpline, open 24 hours a day for information, advice and support. You can contact them at 0808 8020 133.

Compulsive Spending

This one is personal for me as it's a problem I've had in the past and I still need to control myself to this day. I was lucky – I didn't have a full-blown addiction where it was all I could think about so I racked up huge debts. But, if I'm feeling sad or angry, I still turn to shopping to make myself feel better.

The thing is, for a lot of us, buying something new feels so good. That little rush of dopamine when you press the buy button is, frankly, delicious. The problem is that rush doesn't last long so you have to buy something else before those feelings you don't want to properly address reappear. Shopping is a great distraction but only masks the real, underlying problem.

Just being aware that you shop to deal with stress or negative emotions is useful. It at least means that you understand what you are doing so can make better, more informed decisions in the heat of the 'buy now' moment.

Some signs that you have a spending problem include:

- You hide purchases from yourself or others.

- You go shopping in secret.
- You avoid looking at letters or financial statements that show your spending.
- Stress or negative emotions cause you to shop.
- You feel a high after shopping then low shortly afterwards.
- You own a lot of items with the tags still attached.
- You're losing sleep thinking about shopping.
- You're in debt from all of your purchases.

Depending on the cause, and how bad the problem is, there are different ways to cope with compulsive shopping. I've outlined some tips below, but if you are in debt, get yourself some free money advice – see chapter seven.

- ***Recognise what you're doing***
  Are you shopping because you're upset, stressed or angry? Acknowledge your feelings and what has led you to shop.

- ***Use your basket***
  For me, spending hours scrolling through my favourite websites and putting things in my basket, but never going to the checkout, scratches the itch.

- ***Buy and return***
  When buying something I know is a bit of an impulsive buy, I make sure at the very least returns are free. This means if I change my mind or realise I bought the item for the feeling, I can send it back.

- ***Block websites***
  Most of us will have specific places we like to shop from. If you're trying to stop or cut back on your shopping, download a free website blocker for your browsers. At the very least it will make you stop and think when you consider spending money.

- ***Ask for help***
  If you think you have a shopping addiction that is seriously impacting your life and mental health, get some professional help. Speak to your GP.

TIPS FOR MAINTAINING FINANCIAL WELLBEING

The goal of financial wellbeing, and maybe one of the reasons you've bought this book, is to avoid a downward money spiral. You can't control everything, and life can be cruel sometimes, but you now have the tools to protect yourself and know how to dust yourself off and start again.

As a recap, here are the biggies when it comes to maintaining financial wellbeing:

- Budget, budget, budget
- Avoid income comparisons
- Have an emergency fund
- Consider a side hustle as backup income
- Build your savings
- Reduce your debt
- Have a retirement strategy.

WHOOMP, THERE IT IS! These are the things I've been telling you to do in my book. They protect your mental and financial health – because, once you're stuck in that spiral, it's hard to get out.

ACTIVITY

What's Your Financial Personality?
In order to achieve financial wellbeing, it helps to know your financial personality. Read the descriptions below and choose which sounds most like you.

- ***The Bargain Hunter***
  You love the buzz of finding an item at a discount. No one can navigate a sale like you!

  Do you get a bit carried away and regret spending too much money? Think about joining a shopping forum (such as HUKD) where you can search for bargains but use that skill to help other people.

- ***The Avoider***
  You put off making money decisions. It all seems a bit overwhelming and 'I'll do it later' has become a mantra for you.

  Try a monthly money date. Ask someone you like and trust (I find bribing them with food/beer works) and get them to either keep you company or help you with financial organising. It could be setting up Direct Debits, working out a budget,

  or getting debt help. You'll probably find things don't take a huge amount of time and can be fun with good company. It's getting started that's hardest.

- ***The Collector***
  You have the things you want and enjoy saving. You keep on top of your finances but would like to diversify your money.

  If you don't already, research stocks, shares or bonds (see chapter nine) and consider investing some money. You could even get into slightly more exotic investment, such as wine or whiskey. The sky is the limit. Though remember investing is a risk so don't use any money you aren't willing to lose.

- ***The Thinker***
  You feel guilty about spending or having more money than others. You overthink decisions and worry about money or the future.

  Consider going back to the beginning and visualising what it is you want to achieve. Once you have done that, put together a plan to save the amount you need. If you've budgeted for it, you shouldn't feel remotely bad about spending.

Once you've chosen your financial personality, write three personal finance tips to help you with your finances going forward. You've got this!

CONCLUSION

You've made it! I really hope you found the book entertaining (at least for a book about money!) and have learned a thing or two. I genuinely think personal finance can be incredibly interesting, and learning to master it is completely life-changing.

A lot of people expect some kind of miracle answer when it comes to being good with money. Some flashy, Tony Robbins-esque 'advice' that no one else knows about, all wrapped up in inspirational quotes. But there isn't a secret cure, it's just finding strategies and tips that actually work. No get rich-quick-schemes and no gimmicks.

You now have the tools to start planning and living whatever kind of life you want – there's nothing stopping you.

IT'S NOT GOING TO BE LINEAR

Don't expect it's going to always be easy. You'll have good months and bad months when it comes to money. Hell, you'll have good years and really shitty years.

But it doesn't matter. You have to understand that success is built over years making small, sound financial decisions – it's not going to come instantly.

You could start saving £1 a week now and be stashing away £100 a week in five years. You have to look at the bigger picture and not beat yourself up for something you can't do right now.

It's not too late, either. There's a Chinese proverb, 'The best time to plant a tree was 20 years ago, the second best time is now.' Act now, get a plan together and do what you can.

I asked my social media followers what they wish they could tell their 20-year-old selves about money. Sure, there were plenty of 'invest in Apple' and 'marry rich' type answers, but responses pretty much fell into four categories:

- Start a pension ASAP and make the most of your workplace scheme (not doing this was the biggest regret by a mile).
- Start saving and spend less on things you don't need.
- Don't get into debt – if you can't afford it, you can't have it.
- You can't buy happiness, love or acceptance from other people.

For me personally, I would add to give myself a break. I felt like I had to achieve a lot, quickly, and failure of any kind wasn't an option. I blame it on peaking in primary school! I was an overachieving child and put an incredible amount of pressure on myself to keep it up. It became harder and harder as I got further into the real world. Hello, anxiety!

But what I know now is that everything I was doing (including the stupid mistakes I made) got me to where I am. Be kind to yourself because you can only control so much.

And I can't emphasise enough that *doing something* from this book, and building on it, is more than most people will ever do.

Good luck!

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