

MoneySense

Understanding and managing your money



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Introduction

It doesn't matter what stage we're at in life, we all need to be in control of our finances.

At some point or other, we could all probably benefit from some money guidance along the way...

At NatWest, we want to help – that's why we've produced this guide. It's part of our MoneySense programme, and is designed to help you get to grips with your finances.

It's not a crash course in financial management. But if you want to feel more confident about managing your money, about preparing for the future, and about dealing with things if they do go wrong, it's a great place to start.

Taking stock

Before you can take the first step to fully understanding your finances, you'll need to know exactly where you stand.

Planning a budget is not just a job for the Chancellor. It's something we all have to think about at some time or another. And the easiest way to sort out what you can (or can't) afford is to put down on paper what money's coming in – and what needs to go out.

It doesn't have to be daunting. In fact, we budget all the time – even if it's just to check the change in our pockets to see if there's enough for a coffee and the bus fare home.

Of course, when it comes to planning a budget for you and your household, there's more to think about. But it needn't be any more complicated. Simply add up all your income and subtract your essential bills and other outgoings. Monthly is best – even if you're paid weekly – because that's how often most regular bills need to be paid. What's left is for spending or saving. The budgeting form on pages 6 and 7 will help but, for now, let's look at the kind of things you should consider.

Income

For most people, your first and most obvious source of income will be the salary from your job, and that of your partner or spouse. But there are other things to add in too. For example, you may be entitled to tax credits and Child Benefit.

If you're on a low income, check to see if you're entitled to any other benefits, such as pension credit or help with your council tax or rent. There are also allowances for disabled people and carers. Your local Citizens Advice Bureau will be able to provide more information. Alternatively, refer to the list of contacts at the back of this booklet.

You should also include interest from savings, especially if you have an account paying monthly income. But don't be tempted to include future income you can't be sure about getting, like gifts or legacies. Preparing a budget is all about being honest with yourself – and being realistic.

To find out more



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Top tip: Pay as many bills as possible by monthly Direct Debit. You'll spread the costs and ensure you don't miss a payment. It might also be cheaper.

Expenditure

Your spending will fall into several categories, starting with the essentials and finishing with those that are for pleasure.

Your home – These bills are vital if you want to keep a roof over your head. If you don't pay your mortgage or any loan secured on your home, the lender could start proceedings to repossess your home. If you don't pay your rent, not only could you be evicted but your landlord could also take you to court for the money you owe.

Essential bills – These are the ones you must pay, or face serious consequences. Failure to pay income tax demands, council tax, maintenance and child support payments could result in a fine, or even prison. And, if you don't pay your television licence, you could face a fine of up to £1,000.

Your job – If you want to keep it, you have to get there. So always give priority to any bills that are related to travelling to work. They could include public transport costs, or the costs of running a car, such as insurance, petrol and hire purchase agreements.

Utility bills – It's easy to take gas, electricity and telephone for granted. But if you don't pay the bills, you'll be cut off – and the companies could take you to court to recover the debt.

Other bills – Don't forget to include credit and store card bills, bank overdrafts and personal loans. Even if you've stopped spending, there are still repayments and interest to think about.

General household expenses – Just when you think you've got to the end of the list, there are still the everyday essentials to consider. Like food, clothing and childcare.

Leisure and pleasure – Finally, something for you. It's tempting to ignore gym memberships, magazine subscriptions, eating out and going to the pub. But unless you're prepared to give them up, you'll need to include them in your budget.

Saving – The idea of saving can seem a bit old-fashioned in an age of credit cards and personal loans. But it's important if you want to stay on top of your finances. If possible, you should put money away each month to help pay for holidays, birthdays, Christmas and emergencies – and longer-term to make sure you enjoy a comfortable retirement.

Budget planner

INCOME

- Your salary/wages
- Your spouse or partner's salary/wages
- Child Benefit
- Disability benefits
- Income Support
- Maintenance
- Tax credits
- Pensions
- Savings interest
- Other income
- Total income** £

EXPENDITURE

Regular bills

- Mortgage/rent
- Council tax
- Maintenance payments
- Electricity
- Gas
- TV licence/satellite subscriptions
- Water
- Other regular bills (eg, appliance rental)
- Personal/car loans
- Life insurance
- Buildings insurance
- Car insurance
- Car tax
- Contents insurance
- Credit/store card bills
- Internet bills
- Telephone (mobiles and landline)
- Other

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Everyday bills

- Childcare
- Evening classes
- Food/groceries
- Petrol
- Public transport
- School costs (dinners, uniforms, books)
- Other

Occasional costs

(work out the total annual cost and divide by 12)

- Birthdays
- Car repairs/servicing/MOT
- Christmas
- Clothing
- Decorating and house repairs
- Dentist, optician, etc
- Holidays
- Other
- Total expenditure**

Total income

less Total expenditure

What's left is for saving and luxuries

LEISURE

- Charitable donations
- Eating out
- Sports club membership
- Magazine subscriptions
- Other casual spending (cigarettes, sweets, etc)
- Socialising (pub, cinema, theatre, etc)
- Trips out
- Other

SAVINGS

- Regular savings (eg, ISAs)
- Pension
- Total expenditure**

Taking action

Just because you've taken a close look at your finances, it doesn't mean to say you'll uncover any nasty surprises.

Putting all your income and outgoings down on paper might only confirm what you've known all along – that you're on top of your finances. For you, 'taking action' might simply mean 'more of the same'.

Many of us, however, could do with a little extra help – even if it's just some pointers on earning more money on our savings and paying less for our borrowing. Or a gentle reminder to prepare for the unexpected.

The rest of this guide deals with just that. Everything from saving for Christmas to saving for retirement. From cutting your spending to increasing your income. And from protecting yourself against the unexpected to dealing with the worst if it happens.

To find out more



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Every penny counts

If the money going out is greater than the money coming in, you'll need to start looking for other sources of income or take steps to cut your non-essential spending.

But even if you're always in the black, how would you like to have a few extra pounds in your bank account each month? There are a few simple and painless ways to reduce your outgoings – and a surprising amount of extra money you might be entitled to.

How to cut your spending

Keep a diary for a month – Record everything you spend, whether by cash, card or direct debit. You'll quickly spot the trivial among the essential.

Don't just pay the minimum – Only paying the minimum amount on your card bills each month is barely enough to cover the interest. Focus on using any spare cash to reduce the balance on the bill with the highest interest rate – then move on to the next one.

Shop around – There are lots of price comparison sites on the web, covering everything from books and CDs, to flights and petrol. When you're in-store, don't be scared to negotiate.

Target your energy bills – Turning your heating down by one degree, or your hot water by five degrees can make a real difference. Turn off lights when you leave a room, and don't leave electrical items on standby.

Next, consider switching suppliers – It's often cheaper to buy your gas from an electric company, and vice versa. Or you may be entitled to a discount if you buy both from the one company. Do the same with your telephone and internet providers.

Look at your TV subscriptions – If you only watch movies now and again, it might be cheaper renting a DVD or video.

Get the bus to work – It will be cheaper than driving. Better still, cycle or walk if you can.

How to boost your income

Take advantage of tax benefits – On average, we pay around 42% of what we earn to the Government in direct and indirect taxes. Paying tax is a fact of life but there are ways to reduce your bill. If you're a parent of young children, for example, you may be able to sacrifice £55 a week of your salary in return for the equivalent value of childcare vouchers. You won't pay income tax or National Insurance contributions on £2,860 a year.

Take a second job – First, try asking for some overtime or an extra shift from your current employer – it's much simpler, especially where the taxman is concerned. Failing that, check your local paper for part-time, evening or weekend work. An extra eight hours a week at the minimum wage (£5.52 an hour for workers aged 22+) would bring in £2,300 a year before tax.

Take in a lodger – You don't need to become a buy-to-let investor to make money from property. Under the Government-approved Rent a Room scheme, it is possible to let a room in your house to a lodger and earn up to £4,250 a year without paying tax. This works out at just under £82 a week.

Claim benefits – Although we all contribute through taxes, not everyone is comfortable about claiming benefits back from the Government – nor is everyone eligible. However, you might be surprised to learn about the number of benefits you could be entitled to. For example, if your family has a total annual income of less than £58,175, you may be able to claim Child Tax Credit.

The website www.entitledto.co.uk is a free online calculator to help you work out your entitlement to benefits and tax credits. You can also get information from the Department for Work and Pensions (www.dwp.gov.uk) and HM Revenue and Customs (www.hmrc.gov.uk).

To find out more



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Reaping the benefits

Some benefits are based on the National Insurance contributions you have paid. These include contributory Jobseeker's Allowance, Incapacity Benefit, pensions and maternity benefits. Others are means-tested – the amount of help you get depends on how much money you already have coming into your home. Either way, it's a bit of a maze, and it's wise to seek advice from a free advice centre such as your local Citizens Advice Bureau (www.citizensadvice.org.uk), tax office or Jobcentre Plus (www.jobcentreplus.gov.uk).

Generally speaking, you may be able to claim benefits if:

- **you're on a low income (employed or looking for work)**
- **you have dependent children**
- **you're sick or disabled**
- **you're caring for someone**
- **you're aged 60 or over**
- **you have been bereaved**
- **you're pregnant or have recently had a baby**

Start saving

People have lots of reasons for building up a nest egg. You could be saving for a holiday or for Christmas, putting together the money for a deposit on your home, or investing for retirement.

If you can, it's also sensible to put some emergency money aside 'just in case'. But whatever you're saving for, and no matter the amount, it's important to make the most of your money.

Everyday saving

The first rule of saving is to make sure that your money – the money you've worked hard for – is working hard for you. These days, there are lots of current accounts that pay interest. Alternatively, take a look at offsetting. That way, you use the money in your current account to pay less interest on your mortgage.

After taking care of your current account, you should try and build up the equivalent of between three and six months' salary/wages in a savings account, so you'll have something to fall back on in the case of emergencies – for example, if you lose your job.

Tax-free saving

No one likes paying tax, so it's worth looking at a cash ISA – a savings account that pays tax-free interest. The interest rates tend to be higher than on other accounts, and you'll usually have easy access to your money. There are, of course, limits to what you can save each tax year. See www.hmrc.gov.uk for details of current limits.

Short-term saving

Once you've used your individual cash ISA allowance (remember, your partner also has one, so together you could double the individual allowance), you may need to look at taxable savings accounts. The best are those that pay a high fixed rate of interest if you save every month for a year. But keep a close watch on your money after the end of the deal period – it might be moved automatically into an account with a lower rate of interest.

To find out more



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Top tip: Never invest money you might need in the short-term in the stock market. If share prices fall, you could get back less than you invested. However, there are products which let you invest in the stock market while providing you 100% capital protection.

Longer-term saving

If you're saving for something like a holiday, you can see the benefits relatively quickly. However, saving for things that seem a lifetime away, like a child's wedding or your own retirement, requires discipline. Fortunately, the rewards can also be greater.

Two of the main vehicles for long-term saving are equity ISAs and pensions. Both rely on the stock market to provide investment growth, so both carry some risk. However, over the long term (10 years plus) stock market investing can deliver a better return than savings accounts.

ISAs – The advantage of ISAs is that as well as being tax efficient, you can access your money at any time. Of course, again there are limits to how much you can invest in a stocks and shares ISA every year – but it's still a very tax efficient way to save longer-term. See www.hmrc.gov.uk for details of current limits.

Pensions – Private pensions may be essential if you want to enjoy secure retirement. The good news about saving into a pension is that your contributions attract tax relief. That means when a basic rate taxpayer puts, say, £80 into a pension, it's currently topped up to £100 by tax relief. That's £20 *from* the taxman. Higher rate taxpayers can usually reclaim a further 20%.

The money in your pension fund should grow over time. At retirement, you may be able to take 25% of the pot as a tax-free lump sum. The rest can be used to provide a taxable income. Rules, rates and limits on pensions and pension savings do change from time to time. See www.hmrc.gov.uk and www.dwp.gov.uk for current details.

Always seek financial advice before investing in a stock market ISA or a pension.

Tax and savings

Interest on savings accounts other than ISAs is taxable. Banks and Building Societies will automatically deduct 20% savings tax – higher rate taxpayers have a further 20% to pay. Non-taxpayers can avoid being charged tax on their interest by completing an R85 form, which should be available at their branch.

Some low earners and pensioners, with very low taxable earnings should currently only pay tax at the lowest 10% rate on their savings. If this is the case, you can reclaim some of the tax deducted by your bank by obtaining an R40 form from your local tax office.

Child Trust Fund

Although there are many savings accounts on the market specifically for children, it's hard to look beyond the Child Trust Fund – and not just because the Government gives every newborn child a voucher worth at least £250 to get them started.

Parents, family and friends can make contributions to the fund, up to an annual limit of £1,200 – with no tax to pay on income or gains. The Government will also chip in with another £250 when the child is seven.

In short, the Child Trust Fund (or CTF) is a long-term tax-free savings and investment account for all children born on or after 1 September 2002. Most children are eligible (if they qualify for Child Benefit and are living in the UK) to receive a CTF voucher of £250 from the Government – or £500 if the household gets Child Tax Credit and has a total income of less than £14,495.



Top tip: Couples can lessen their tax liability by keeping savings in the name of the partner who pays tax at the lower rate. Financial advice should be sought before making any changes.

To ensure the money is given time to grow, it's locked away until the child is 18, and can't be accessed before then, however, they take responsibility for their account at the age of 16. At the age of 18 they can use the money as they wish. For example, to help towards university costs or a deposit on a house.

There are three types of accounts:

Accounts that invest in shares – These accounts invest your child's money by buying shares in companies. The value of the account is linked to how the companies perform, and it's important to remember that the value of shares can go down as well as up. There is no guarantee that the original investment will be returned.

Stakeholder accounts – These invest your child's money in a number of companies to reduce the risk. When your child is 13, this money is moved to lower-risk investments, so his or her money is safer as they approach 18. Charges for this type of account are limited to a maximum of 1.5% a year.

Savings accounts – If you don't want to invest in shares, you can simply choose to open a savings account. They are seen as a safe place to keep money – but the interest paid usually only covers inflation, leaving the buying power of the money much the same.

Opening a Child Trust Fund – Ask in branch for details. Although it will be in the child's name, the person who opens it (usually the parent) will be responsible for managing it. The child will take responsibility for their account at 16 – and be able to access the money – when they reach 18. You can also find out more by visiting the government's Child Trust Fund website at www.childtrustfund.gov.uk.

Borrow sensibly

Sensible borrowing can smooth out short-term gaps between income and expenditure, help to buy a car or start a business. And almost no one would be able to afford a house if they had to pay the full amount up front.

Mortgages account for the biggest chunk of household debt, so we'll deal with them first. But it's also important to consider the pros and cons of overdrafts, credit and store cards, personal loans and finance agreements.

Mortgages

Buying a home will probably be the biggest purchase you'll ever make and there's no denying the thrill of having a place to call your own. However, there are lots of things to think about before taking the plunge.

Even if you can put together the money for a deposit and have budgeted for monthly mortgage repayments, there are legal and surveyor fees, stamp duty and moving costs to consider. You'll also be responsible for any ongoing repairs and maintenance of the property.

Despite all that, buying a home can be a great investment. Assuming that over time you pay off your mortgage, you'll be left with a valuable asset. Even if you decide to move, there's every likelihood (although there are no guarantees) it will have risen in value, leaving you with a healthy profit. You can even become a landlord yourself, and rent out a room to help with costs.

Don't forget stamp duty land tax – currently it's set as a percentage of the whole value of a home – and it increases as that value increases. See www.hmrc.gov.uk for details of current levels and limits.

How much can I borrow?

Make sure that as well as finding out how much you can borrow, you look at how much you can realistically afford to pay. The two are not always the same thing, so don't get carried away!

Your income – As a general rule of thumb, single applicants can borrow three-and-a-half times their income. If there are two of you, joint-income is usually multiplied by 2.75.

To find out more



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Top tip: If you are thinking about taking out or changing your mortgage, you should discuss the options with a mortgage adviser.

The value of the property – You can't normally borrow more than the property is worth (or what you pay for it, if that's less). Normally, you'll need to put down a deposit of at least 5%.

Your deposit – The larger the deposit, the more mortgage options you're likely to have – and possibly the lower the interest rate.

How much you can afford – This requires careful budgeting, so it's back to page 6. You'll need to include electricity, gas, council tax and insurance. But don't forget gym memberships, clothes and money for socialising – unless you're prepared to give them up.

How much the lender will lend you – Various things will affect the lender's decision, such as your credit history, your employment status and the condition of the property you want to buy.

Choosing the mortgage

The type of mortgage that's right for you will depend on your individual circumstances and how you expect your finances to look over the next few years. With a **fixed-rate mortgage**, you can be certain your payments won't change for a set period of time.

Tracker mortgages which follow Bank of England base rate are attractive but you must consider the consequences if interest rates were to rise. Every 0.25% increase in interest rates adds roughly £16 a month to a £100,000, 25-year repayment mortgage.

Other mortgage options such as **offsetting** can make sense to those who have some savings and are further up the housing ladder. These work by setting your savings against what you owe. So, if you had a £100,000 mortgage and £20,000 savings you would only be charged interest on the £80,000 difference. But you would not earn any interest on your savings.

Offsetting can be an astute financial move because savings rates tend to be lower than mortgage rates and because you are taxed on savings interest.

Other borrowing

Small sums

For short-term borrowing, a bank overdraft might be the answer. Always arrange these in advance with your branch because higher rates of interest will be charged for an unauthorised overdraft.

Credit cards provide a flexible way to borrow but it's important to control them, rather than letting them control you. An interest-free credit card may be a good move – but remember, when the interest-free period ends, the rate can rise considerably.

Stay ahead of the credit card game

- If you don't have an interest-free card, consider repaying the balance in full each month, even if this means dipping into savings.
- If you can't repay in full, pay as much as you can – as soon as you receive the statement. Don't wait for the 'payment due' date because interest is charged right up to the date the card firm receives your payment.

- Never simply repay the minimum each month if you're being charged interest. It can take years to repay the balance on many credit cards if you do this – and you'll be charged interest along the way.
- Avoid late payment fees by paying on time. The best way to do this is to set up a Direct Debit so the money is collected directly from your bank account. If you're not sure how much you'll be able to pay, set up a Direct Debit for the minimum and make a separate payment for whatever you can afford each month.
- Finally, a word about store cards. They might help you get a one-off discount but check the interest rate as this can be high. It's best to avoid borrowing on them.

To find out more



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Top tip: You can get free independent advice and debt counselling from a number of agencies. See page 30 for more details.

Larger amounts

If you're buying a new car or a new kitchen, personal loans can be a good move. Most offer fixed rates and a fixed term, so you'll know exactly what you're going to pay each month, and for how long.

For larger amounts of more than £25,000, it may be possible to extend your mortgage – the interest rate could be a lot lower. However, you should only really consider this option if the money is going to be used to add value to your home.

Hire purchase

HP is a popular method for buying expensive items such as cars, as you don't pay the full retail price upfront. You pay a deposit, followed by monthly repayments over an agreed period. However, interest rates can be more expensive than other types of credit. You should also take care with so-called 'buy now pay later' interest-free deals. If you don't settle the debt on the payment date, interest at the full rate can be back-dated to the date of purchase.

Debt consolidation

Borrowing a lump sum to pay off several debts can simplify your finances, but it should only be used to tackle those high interest debts that you can't switch to a lower rate.

Tread with caution if you are considering using a debt consolidation or debt management firm. Some offer to bring all debts under one roof. What you must remember is that if your repayments are lower, you can be in debt for longer and pay more interest than if you tackled your debts yourself. These firms can also charge very high fees.

In particular, look out for hidden charges and beware of promises to sort out your problems overnight – especially if the company is implying that you'll be free to start spending all over again. Their involvement may affect your credit rating.

Be prepared

Insurance is one of those things we pay for and hope we never need.

When it comes to some types of cover – for the home, car or holidays – some people are even prepared to take a gamble (often an illegal one) and not pay for insurance at all.

However, there's no doubting the importance of protecting your family and protecting your income. Not convinced? Just ask yourself how your family would be able to cope financially if you were to die. Or how you would manage if you were unable to work for a long period.

Life insurance

The simplest is known as level term assurance. You pay a fixed premium each month and if you die before a specified date, your family will receive a cash lump sum. It's inexpensive, and can be ideal for anyone who isn't covered by a good employer insurance scheme. You can also get decreasing term assurance to cover your mortgage – it's slightly cheaper because the life cover decreases as your mortgage balance reduces. Ideally, you should have separate cover for your mortgage and your family.

Family income benefit

This is another form of life insurance, except that instead of paying a lump sum, it pays out monthly tax-free amounts from the time of death to the end of the policy term. It is inexpensive as life cover reduces throughout the policy term. If you die, say, six months before the policy is due to expire, your spouse will get just six monthly payments rather than a big cash lump sum.

Critical illness cover

Very few employers will pay your full salary after six months' incapacity, and Government help in the form of long-term Incapacity Benefit is less than £100-a-week. Critical illness cover will pay out a cash lump sum if you are diagnosed with a specified illness or condition, or have to undergo certain types of surgery.

To find out more



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Top tip: Basic life insurance is similar regardless of who is providing the policy. However, price and service varies, so be prepared to do some research – the cheapest option is not always the best.

Mortgage Payment Protection Insurance

MPPI as it's commonly known will pay your monthly mortgage payments if you can't work due to sickness, accident or unemployment. Some policies are better than others. Check your occupation is covered, how long you have to wait before it starts to pay and how long it will keep paying. Remember, most plans will only pay the actual mortgage repayment for a maximum of 12 months, so you should ensure you have other protection in place for comprehensive cover.

Other payment protection insurance

The big questions here are: do you need it, and are you getting value for money? If you pay your credit card off each month or have enough in savings to cover what you owe, insurance cover isn't as necessary. But if not, it might well be worth considering. You should also consider what would happen if you weren't able to make the repayments on a personal or car loan. Again, some policies are better than others, so always read the small print to make sure you'll be covered. For example, some policies are less likely to pay up if you have a high-risk job or are self-employed, or if you lose your job but your partner is still in work.

Accident, sickness and unemployment cover (ASU)

This can come to your rescue if you lose your job or can't work. But it can be expensive unless you are prepared to wait a few months for the first payment. You should also check carefully to see if your occupation and terms of employment are covered. Remember, these types of plans normally pay relatively small amounts for a limited time (eg, 12 months).

Medical insurance

If you're not satisfied with the National Health Service or just need to know you can have treatment at your own convenience, then private medical insurance is an option. And if you're self-employed and less able to wait for treatment, you may consider it a worthwhile investment.

Not all illnesses and conditions you'd expect are covered by all critical illness policies. You should carefully check the type and number of illnesses and conditions covered. For example, some forms of cancer are now commonly excluded.

Extended warranty cover

It's available on anything from a new television to a new washing machine or mobile phone, but think very carefully before signing up. Firstly, it can be expensive. Secondly, most faults are discovered when you take the new appliance from its box – when it's covered by a guarantee anyway. It could be better to save the money for repairs or for buying replacement goods in the future.

To find out more



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Dealing with the unexpected

No matter how well you plan ahead, there are always going to be major events in your life that will knock you for six.

Losing a loved one, divorce, illness and redundancy can all put a tremendous strain on you and your money. But positive events, like the birth of a child, may also force you to face up to some difficult decisions about your finances. Retirement too can be something to look forward to – until the financial realities of a reduced income hit home.

Of course, no one can really predict what's round the corner. Nevertheless, there are some things you can do to make sure you're prepared – and steps to take when it does happen.

Losing your job

Planning ahead:

- Aim to build up a pot of rainy-day money (say, three to six months' wages) in an easy-access account.
- Consider taking out redundancy insurance, but be aware that it won't pay out if you knew when you applied that you were likely to lose your job.

If it happens:

- Put any redundancy money into a high interest, easy-access savings account. Don't invest it into longer-term savings – you may need it in a hurry.
- Draw up a budget to ensure you can meet essential bills and, if necessary, cut back on the non-essentials.
- If you have money worries, tell your mortgage lender.
- Check your insurance policies.
- Find out if you're entitled to a tax benefit or state benefits. Your local tax office, Citizens Advice Bureau or Jobcentre Plus can help.

Divorce/End of a relationship

Planning ahead:

- No one plans for divorce but if you see it coming, seek legal advice as soon as possible.
- If the separation is likely to be amicable, make sure you each have separate bank accounts so you can immediately have some financial privacy.
- Keep a record of your spending so you can prove your standard of living.

If it happens:

- Sever financial links as quickly and cleanly as possible. If you haven't already done so, organise your own bank account and credit cards.
- Make sure you have a clear record of your ex-partner's financial position, including their pension and any joint-assets, such as savings and property.
- Check whether you are entitled to any tax credits or benefits. When you start living alone, you may be entitled to Child Tax Credit or Working Tax Credit. You may also qualify for a discount on your council tax.
- Review your insurance arrangements.

- Take out life insurance on your former partner to cover maintenance payments.
- Draw up a new Will to make certain your children or other dependants are protected in case of your death – and to be sure your money goes where you want it to.
- Try not to let any personal animosity get in the way of financial decisions. The more you bicker between lawyers the more it will cost.
- Seek legal advice about obtaining a final Consent Order to try and avoid your partner coming back for more money later.

Illness

Planning Ahead

- A lot of us find planning our finances difficult beyond having a bit of money put aside for emergencies and buying a home. This means a critical illness can have a big impact on a household's finances.
- Consider how you would manage if you suffered a loss in income due to illness – do you have savings or investments? What is your employers sick pay policy? Do you have an insurance policy to claim from? Would you be reliant on state benefits? Have you made any provision for your retirement?



- If anyone is financially dependent on you or you share household expenses with someone else, you may need to plan how they would cope if you were to die or become ill.
- If you don't currently have life or critical illness insurance, consider if you wish to take this out as most insurers won't cover people with a pre-existing illness.
- You should make sure they have an up to date will to ensure that the right people inherit from your estate.

If it happens

- Take action early. Denying the problem exists only makes the financial situation and stress worse.
- Any existing financial plans need to be reviewed and new ones made to reflect the change in circumstances.
- For many households, illness causes a drop in income and extra expenses, so this may be the time to use the money previously set aside in any emergency fund.
- Where someone has substantial savings and investments, it may be possible to rearrange them so that they produce a steady income if needed.
- Look at ways to cut spending – consider your current mortgage lender, fuel supplier or any loans and check if you are getting the best rates.

- Seek advice on what benefits (including disability living allowance; housing & council tax benefit; help with transport and prescriptions costs etc) that you and your family may be entitled to as a result of a critical illness, such as a cancer diagnosis. Carers can be entitled to benefits in addition to people who have a cancer diagnosis. The Benefits system is complex and it is best to seek specialist advice.
- Shop around for products such as travel insurance.
- A number of charities, including Macmillan Cancer Support, make grants to people affected by cancer.

Bereavement

Planning ahead:

- Make sure you have adequate life insurance.
- Write a Will to ensure your money goes where you want it to. If you die without a Will, your estate will be broken up according to strict rules and it will take longer to resolve.
- Make sure your occupational and private pension scheme trustees know what you want to happen in the event of your death.

If it happens:

- Contact all organisations with whom your partner had a financial relationship to organise insurance pay-outs and to make sure pensions keep flowing.
- Get additional copies of the death certificate – most organisations won't accept photocopies.
- Check to see if you are entitled to extra financial help, such as Bereavement Allowance, Bereavement Payment and Widowed Parents Allowance.
- Don't be rushed into making decisions.
- If your partner looked after your finances, get advice on everyday budgeting and paying the bills.
- Seek investment advice if you have received money from an insurance policy or pension.

Having a baby**Planning ahead:**

- Prepare a budget – can you afford to give up work?
- Think about where you're going to live. Do you need a bigger house or one that's close to childcare and schools?
- Check to see if you're likely to be entitled to Child Tax Credit.

When it happens:

- Open a Child Trust Fund.
- Make a Will – or amend the one you have.

- Look into life insurance, critical illness cover and income protection.
- Consider the best borrowing option if you need to buy a bigger car or make home improvements.

Retirement**Planning ahead:**

- Start saving as soon as you can.
- Don't retire too early.
- Prepare a budget – can you afford to retire?
- Don't underestimate how much income you will need, or how much it will cost to provide.

When it happens:

- Check whether you are entitled to Pension Credit.
- Check that you are receiving all the benefits to which you are entitled. Age Concern or your local Citizens Advice Bureau can help.
- If an investment policy has matured, or you've received a pension lump-sum, get financial advice.
- If you no longer pay tax, complete an R85 form to get bank interest paid gross. Consider taxable investments if the returns are better.
- Struggling financially? Can you get a part-time job?

To find out morenatwest.com/moneysense

Dealing with debt

Sometimes, despite our best efforts we end up in debt. But many people find it hard to cope with their finances at some time in their lives – it's nothing to be ashamed of.

Debt can become a problem for all sorts of reasons. As we've seen, losing a job, illness, separating from your partner, or even having a new baby can all put a strain on your finances. Don't panic, there are many ways to get you back in control. You could consider realising some of your assets, such as stocks and shares, to repay the debt.

The golden rules

- Don't panic or ignore the problem.
- Don't borrow money to pay off debts without thinking carefully. And don't take out a loan secured on your home without first seeking independent advice.
- Check whether your payments are covered by insurance.
- Check you are claiming all the benefits and tax credits you can.
- Get in touch with ALL your creditors straight away – work out a personal budget and send it to them.
- Tackle priority debts first (tax, mortgage and secured loans).
- Work out reasonable offers of payment you can afford.
- Seek FREE independent money advice.

How NatWest can help

If you are a customer and find yourself in financial difficulty, we will deal with you sympathetically and positively.

You can contact our Advisers on **0845 303 9015**

Textphone **0845 900 5961** (8am to 8pm Monday – Friday, 9am to 5pm Saturdays). Calls may be recorded.

Maximum charge from a BT landline is 4p per minute.

Calls from other networks may vary.

You will be able to:

- **speak to dedicated staff, specially trained to help you find a way to re-take control**
- **discuss all options to assist you in resolving the situation**
- **help you monitor your finances closely, for up to six months, to help you get through this difficult time**

It's never too early

Even if you don't think you're in financial difficulties, if you are a customer you can take advantage of a Personal Review at any time. We can help to make sure you're making the most of your money in terms of the range and types of financial products you're using. Simply speak to a Customer Adviser at one of our branches and they'll be delighted to sort out a meeting at a time and place that's most convenient for you.

Who else can help?

NatWest supports the use of the free money advice sector. You can get money advice from Citizens Advice Bureaux, local authority offices, independent advice centres and telephone help lines.

How can the money advice sector help?

The money advice sector can offer a structured approach for you to manage your personal debt. Advisers are trained to identify your problems, assess the overall financial situation, offer reassurance, maximise your income where possible and negotiate with creditors on your behalf. Some advisers offer representation services. Advisers are equipped with knowledge about a wide range of legal issues, including consumer credit legislation, housing and court procedures.

A money adviser can:

- help you work out your income and outgoings and complete a Personal Budget Form
- look at your options with you on how to deal with your debts and work out how much money you have left over to pay your debts
- find out whether you are entitled to extra income such as state benefits, tax credits or tax allowances

To find out more



natwest.com/moneysense

- check whether you are responsible for the debts you are being asked to pay
- make sure that you pay the most important debts first
- help you to negotiate repayment plans with the people you owe money to
- offer advice on where to get help with other problems such as redundancy or divorce

I've seen an advert for a debt management company, can they help me?

There is a common belief that debt management companies will take over the management of your debt. They don't. They speak to lenders on your behalf but they charge a fee for doing so. Alternatively, you could speak to your creditors directly, free of charge. You can also speak to a number of free advice agencies, listed overleaf, to help manage your debt.

How will reduced repayments affect my credit rating?

Information about your account is passed to credit reference agencies each month, providing notice of your repayment history to potential new lenders. Your ability to obtain new credit facilities may be affected in the future. You can check what information Credit Reference Agencies have about you by writing to the following:

- Equifax Plc, Credit File Advice Service, PO Box 3001, Glasgow G81 2DT
- Experian, Consumer Help Service, PO Box 8000, Nottingham NG80 7WF.
To order a paper copy of your credit report visit www.experian.co.uk or call 0844 481 8000.
- Callcredit Plc, Customer Service Team, PO Box 491, Leeds LS1 5XX

Where to get help

AdviceUK

A large network of advice-providing organisations.

For details of your nearest advice centre:

Call **020 7407 4070**

Visit www.adviceuk.org.uk

or look in the Yellow Pages under 'Counselling and advice'.

Citizens Advice Bureau (CAB)

Gives free, confidential and impartial advice on a wide range of problems.

Details of the nearest CAB can be found in your local phone book or in the Yellow Pages under 'Counselling and advice'.

For online advice or to find a local CAB:

Visit www.adviceguide.org.uk

Macmillan Cancer Support

Macmillan Cancer Support improves the lives of people affected by cancer. They provide practical, medical, emotional and financial support and campaign for better cancer care.

Call **0800 500 800** for information about how to get advice about claiming benefits.

Visit www.macmillan.org.uk for a list of local advisers and Macmillan's booklet *Help with the cost of cancer*.

The line is open between 8am and 8pm, Monday – Friday.

Consumer Credit Counselling Service (CCCS)

A charity providing free, independent & impartial advice on a wide range of services including, debt counselling (telephone and internet based), Debt Management Plans & IVAs to help repay your debts and expert advice on Bankruptcy and Welfare Benefits.

Call **0800 138 1111** 8am and 8pm, Monday to Friday.

Visit www.cccs.co.uk or www.cccs.co.uk/ref/drbc

for a full, interactive on-line debt counselling session.

National Debtline

Provides free, independent, confidential and impartial advice by telephone.

Call **0808 808 4000**

Visit www.nationaldebtline.co.uk

The line is open between 9am and 9pm, Monday to Friday and 9.30am to 1pm on Saturdays.

Payplan

Payplan provide a free debt management service.

Call **0800 085 4298**

Visit www.payplan.com

To find out more



natwest.com/moneysense

Other useful contacts

Directgov

A Government site with guidance on managing your money, debt, pensions, benefits and other issues.

Visit www.direct.gov.uk

HM Revenue & Customs

Everything you need to know about tax and tax credits

Visit www.hmrc.gov.uk

Department for Work and Pensions

The starting point for all benefits questions

Visit www.dwp.gov.uk

Financial Services Authority

A site providing facts about financial products and services, helping you make an informed decision.

Visit www.moneymadeclear.fsa.gov.uk



To make more sense of your money,
visit natwest.com/moneysense

Mon£ySense

another way