MANAGING YOUR MONEY

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In education of today, there is not much money management for beginners and those leaving the nest. This 'Managing Your Money' guide is something that can help you get started.

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Change Your Banking Habits

If you want to achieve financial security, you'll want to pay attention to your banking habits. There are a lot of healthy banking habits you can develop to improve your financial situation and generate security for the future.

Here are some of the best banking habits that support financial security.

Ensure You Regularly Check Your Banking App

Technology has made it possible to keep an eye on our banking accounts. Most have their own apps which allow you to check your balance, as well as transfer money and make payments through your phone or tablet device.

By frequently checking your banking app, you'll be able to track your spending. I know some of us do tend to avoid looking in our accounts, but it also enables you to identify any potential issues early on. While you don't want to think about it, there is always the risk of fraud. Getting money back after it's been taken from your account isn't always easy unless it's caught quickly enough.

So, start checking your banking app daily/weekly to monitor your spending, and watch out for suspicious activity. With most apps you can also set alerts to advise when getting too low.

Cut Back Your Spending

Achieving financial security isn't easy in today's economy. However, by making small cutbacks in your spending, it can really help. You might just be surprised by how much you can cut back on.

Start by looking at how much you're spending on utility bills and compare the options available to see if there's a cheaper deal. Also look at what you're spending on a weekly or even daily basis. Meals out, trips out, and even those daily bars of chocolate all add up.

Avoid Having an Overdraft

Having an overdraft can provide you with great peace of mind. However, it can also cause you endless problems if it isn't used correctly. Ideally, you'll want to avoid having an overdraft completely. That way, there is no chance you'll go over your balance and must deal with fees.

If you do have an overdraft, be sure to only use it in emergencies and pay the money back into the account as soon as you can.

Ensure Direct Debits Are Set Up

One thing that's going to impact your finances is if you miss or make late payments. So, you'll want to ensure you have direct debits set up to ensure payments are taken automatically. Usually best to give a few days after you have funds in your account just in-case your income is delayed in anyway, but you'll want these to come out as soon as possible to avoid overspending!

One thing to remember here is that if you do have direct debits set up and you don't have the money to cover them, you should cancel them. Otherwise you could be hit by fees for going over your balance. However, don't cancel a direct debit without first telling your providers, as this too could cause issues with late payment fees.

If you follow the advice above, you'll develop better banking habits. The safer you are with your banking, the more financial security you're going to develop. As with any habit, you need to be persistent in order to make them a part of your daily life. If you've been using bad banking habits for years, it's understandably going to take time to turn them into positive ones.

Are You Saving Correctly?

When you're trying to save money, there are a lot of mistakes you can unknowingly make which could hinder your progress. It’s hard enough to save money, especially if you’re on a low income. So, if you want to ensure you’re saving correctly and getting the most from your hard-earned cash, there’s a few things you’re going to want to avoid.

Here are some of the most common money-saving mistakes and how they can be avoided.

Not Setting Up Automatic Savings

When you first plan to save money, your motivation ensures that you keep making regular payments into your account. However, after a while, it’s easy to fall into the “I’ll save double next month” trap.

There will always be reasons to put off saving. Whether it’s an unexpected bill or you want the occasional treat, you’ll always find something else to spend your savings on. It’s common to view savings as a luxury more than a necessity.

So, to make sure you stick to your savings plan, it’s important to set up automatic savings. That way, the savings will be taken automatically from your account before you’ve had a chance to think about it.

Saving Money Instead of Paying Off Debts

While savings are undoubtedly important, it's more important to focus on paying off any debts you currently have. Think about it. If you're saving money but not paying off debt, you'll be paying extra on interest payments.

By paying off debts first, it enables you to use the money you would have spent on the debt to boost your savings.

Keeping Savings in the Same Account as Earnings

Do you use a separate savings account? If not, you'll want to open one. The trouble with keeping your savings in your personal account is that you'll be tempted to spend them.

It makes it a lot more difficult to keep track of savings when there are other incomings and outgoings into the account. You'll also miss out on interest as personal accounts don't tend to provide interest on the money within them.

Impulse Buying

Impulse buying is a major problem when you're trying to save. If you tend to spend money on things you don't necessarily need and you weren't planning on buying, you may need to get your impulse spending under control.

Start asking yourself whether you really need to make the purchase. If not, place the money you would have spent into savings instead.

Placing Yourself on a Spending Ban

It might seem like a good idea to place a spending ban on yourself. However, this can hinder your savings progress. When you feel restricted, it can tempt you into going on a spending spree – a little like when you're trying to stick to a diet that cuts out your favorite foods. You're going to cheat if you feel restricted, so try not to place a strict spending ban on yourself.

These are some of the most common savings mistakes you can make. If you want to get the most out of your savings, keeping them in a separate account and setting up automatic savings is a great idea.

Tips for More Savings

Looking for ways to increase your emergency savings fund? The more money you can save towards your emergency fund, the more prepared you'll be to deal with the setback's life throws at you.

However, saving money isn't always easy, especially in this economy. So, how can you save more to protect yourself when things go wrong? Here are some easy ways to boost your emergency savings account.

Make Money from the Things You Don't Need

A good place to start to boost your emergency savings account, is to sell the things you don't need. You might just be surprised by the amount you can earn simply by having a clear-out.

There are lots of ways to sell the things you don't need these days. As well as garage sales, you can use social media such as Facebook's Marketplace. There are also online auction sites like eBay you can turn to.

You can sell absolutely anything, too. One person's trash is another person's treasure, so don't assume something won't sell. Go through all your belongings and be ruthless in the things you no longer need or use.

Create a Budget

You're also going to want to create a budget as this will allow you to see how much you can afford to save each month. Write down all your incomings and outgoings, followed by the amount you have left.

Then, work out how much you can comfortably save each month. Once you have a figure, you can start to make saving a habit. Pay the money into your savings account before you pay any other bills. That way, you'll be saving money without really thinking about it. You also won't miss the amount you've saved if you set it to automatically go out of your account when you get paid.

Cut Back on Expenses

After you've created your budget, if you find you can't really afford to save anything, you can look at cutting down your expenses.

As stated before, there are always things you can cut back on, whether it's saving money on utility bills or cutting down on treats. Having a budget in place lets you see exactly where your money is going and where improvements can potentially be made. Be ruthless, too. Cut back anywhere you can while you're trying to build up your savings account.

Pay Attention to Your Employment Benefits

A more drastic way to boost your saving would be to utilize employment benefits. If you job doesn't currently offer much in the way of benefits, it may be time to look for a new one.

If you can gain employment with a company which offers health insurance and retirement savings plans, for example, you won’t have to pay for these yourself. You can then use the money you’re saving to put into your emergency fund.

Having an emergency fund is essential, but it isn’t always easy to save a regular amount. The above tips will help you to give your emergency savings a boost without it negatively impacting your finances.

Emergency Funds: How Much Should You Save?

Having a little cash tucked away for emergencies can provide great peace of mind. If something were to go wrong, you’d have the money there as a safety net to deal with the problem.

The question is, how much should you be saving in your emergency fund? Here, you’ll discover what an emergency fund is and how to work out how much you’ll need.

What Is an Emergency Fund?

An emergency fund is a lump sum stored within a savings account. It’s there purely to pay for any emergencies which may crop up. It could be that your car has broken down, or you need to pay emergency vet fees, or you may need to repair something in the home. An emergency fund ensures you can rectify any problems quickly, reducing stress and providing great peace of mind.

How Much Should You Be Saving?

You’ll find a lot of contradicting advice relating to how much you should be saving in an emergency fund. Many experts suggest saving at least three months of expenses. So, if all your bills and expenses came to £1500 per month for example, you should save £4,500 towards emergencies.

To work out how much you should save, it’s also important to consider your family’s personal situation. This includes job stability, whether you rent or own your own home, and how large your family is.

Look at your emergency fund like you would with insurance. It is an investment to protect you and your family if anything does go wrong. So, making a commitment to save as much as you can is going to ultimately protect you and the family.

The Disadvantages of Saving Too Much

While it may seem logical that the more you save in your emergency fund, the better off you will be, this isn’t always the case. Firstly, you could lose money by having it in a savings account. This is because you generally earn around 1% back each year on the amount you save. This doesn’t cover the inflation rises, meaning you’re losing money throughout the course of the year.

Another downside of having too much money in an emergency savings fund is that you’ll be missing out on your other financial goals. Some of the money could be put towards your retirement, or for paying off any debt that you might have.

So, it’s important to consider your current financial position before throwing all your savings into an emergency fund. Paying off debt could be the better option – if anything were to happen, you wouldn’t have to worry about missing debt payments on top of everything else.

Having an emergency fund is essential in today’s economy. However, it’s also important to understand how much you should be saving. The above is just a general guide on the amount of money you should aim for. If you have between three- and six-months’ savings to cover everything, that’s all you should need in the event of an emergency.

What to Do if You Need Money Now

Need to borrow money quickly? When a financial emergency crops up, it can be extremely stressful. Not having the cash that you need can lead to a wide range of issues, with financial stress contributing to poor sleep, weight gain or loss, and issues within relationships.

However, the good news is there is a lot of help there these days. You no longer must rely upon traditional borrowing methods which can notoriously take a long time to process, as well as prove difficult to be accepted for.

If you're in need of money quickly, here are some of the options available to you.

Payday Loans

The quickest way to borrow money these days is through a Payday loan. However, this should only be used as a last resort. The interest rates can be notoriously high, although they are great for those who only need a small loan amount quickly.

Some jurisdictions have banned payday loans completely, while others have strict regulations that need to be followed. So, if you do decide to go down this route, you'll want to make sure you research as much as possible.

Credit Cards

Credit cards are another fast way to borrow cash. Many offer cash advance too, alongside generous borrowing amounts. However, like Payday loans, these do come with a lot of risk.

Millions of people have found themselves in financial difficulties due to misusing their credit cards. So, it’s an option you’ll want to consider carefully before taking out a credit card.

Personal Loans

If you need quite a large sum of money, personal loans can be an effective option. Many banks also offer same-day loans if you need them. With this option, the interest rates do tend to be lower than other forms of finance. The only thing to be aware of is that they aren’t always easy to get. Unless you have a great credit rating, there is a high chance you’ll be turned down for a loan from your bank.

However, there are a lot of online lenders available these days which can provide fast personal loans. They don’t tend to have the same strict lending requirements either.

Pawn Shops

You don’t have to take out credit to get the cash you need. You could also turn to pawn shops if you’re in immediate need of a small cash injection. With this option, you can either pawn your belongings for good, or you can buy them back within a set time period. If your cash flow issues are temporary, pawn shops can be a great alternative to seeking credit. However, you might not get the full amount that the item is worth.

There are a lot of different places you can borrow money quickly. Before applying for credit, it’s a good idea to see whether you can get the finance you need via other methods. Asking friends and family, for example, or using a pawn shop could be a better option than taking out a loan or credit card.

Myths with Credit Cards

When you’re trying to become more responsible with your credit cards, you’ll come across a lot of advice online. Unfortunately, not all this advice is reliable. In fact, following the wrong advice could see you get into further credit difficulties.

To help ensure you don't follow the wrong information, below are some of the main pieces of credit card advice you should ignore.

"The More Credit You Use, the Better Your Credit Score Will Be"

There is a very common misconception that the more credit you use, the better your score will be. While it's true that getting accepted for credit means your credit score is obviously healthy, utilizing too much credit can harm your rating.

One of the main factors used to determine your rating is how much of the credit you're using. Ideally, you'll want to have a low credit utilization. This means using less than 50% of the credit available to you. If you're using 50% or more, it's a red flag that you're struggling financially and need to rely on credit.

"Never Transfer Balances onto Different Cards"

You'll also see advice telling you not to transfer an existing balance onto another credit card. There are times when balance transfers can cause you to owe more money. However, they can also prove useful at times when you need a payment break.

Many balance transfer cards also come with 0% interest for six to twelve months. So, you could pay off the balance sooner, paying off less in the long term due to the 0% interest.

"Don't Pay Attention to the APR"

If you look at the APR of credit cards, you'll see it can be scarily high. However, some advice tells you not to worry about this as it only really applies if you get into trouble. The truth is, the APR makes a huge difference to your finances.

When choosing a credit card, it's important to select one with the lowest APR. That way, you'll be paying less back in interest, making the repayments much more affordable.

"Only Pay the Minimum Each Month"

Ignore any advice which tells you to only pay back the minimum of your balance every month. Yes, paying back the minimum can be useful at times, but it's also a sure-fire way to never get out of debt.

The minimum payment usually only considers the interest on the balance. So, you won't be paying off much of the balance if you only pay the minimum.

"Just Pick Any Card; They All Help"

A little like the advice to not pay attention to the APR, you'll also want to avoid simply picking any credit card. No two cards are equal. They have different interest rates, benefits and uses.

Therefore, it's important to make sure you're choosing a card which best fits your circumstances. Always take the time to compare credit cards before choosing the right one for you.

So, there you have it – some of the main pieces of credit card advice you should absolutely ignore. Following the wrong advice can be detrimental to your finances.

The Don'ts of Credit Cards

Credit cards can prove invaluable when it comes to emergency funding. They are used by millions of people over the world and are easy to obtain. However, as useful as they can be, they can also potentially get you into further financial difficulties. This is especially true if you don't use them correctly.

Below, you'll find some of the top credit card mistakes you're probably making right now and how they can be avoided.

Paying Back the Minimum Each Month

One of the great things about credit cards is that you have the option to pay back the minimum each month. This is often an affordable payment that can be easy to manage. However, as stated before from what to avoid, you shouldn't be paying just the minimum every month.

The trouble with only paying the minimum amount every month, is that you'll often only be paying the interest. This means the balance will either never go down, or it will go down extremely slowly. So, whenever you can it's better to pay more than the minimum payment each month or even the full balance owed if affordable enough to avoid any further fees.

Making Late Payments

If you miss payments on your credit card, it can have a significantly negative impact on your credit rating. You'll also be hit with late payment fees which can get you into further financial difficulties.

To avoid making late payments, ensure you have enough to cover at least the minimum payment amount. You should also open all your credit statements, so you know when the payment is due. Also set up a direct debit each month with an amount you can afford if used regularly.

Not Understanding the Fees Involved

A lot of people have no idea about the fees associated with their credit card. Some charge a monthly fee just for being able to use them, while others charge high fees for cash advances.

Ideally, you’ll look at the fees before you take out a credit card. You’ll find them in the small print before you agree to accept a card. If you find you’re paying a lot in hidden fees and charges, consider switching to a lower-cost card.

Maxing Out Your Spending Limit

It’s a common misconception that keeping a balance on your card will improve your credit rating. The truth is, the more credit you are utilizing, the worse it’s going to affect your credit rating. This means that if you’re maxing out your spending limit, it’s going to be having a negative impact on your finances.

Try to utilize just a small portion of your credit card balance to avoid this becoming a problem.

Using Too Many Credit Cards

Finally, problems can arise when you’re using too many credit cards. Initially, it can be reassuring knowing you have multiple lines of credit you can turn to if needed. However, if you use more than one credit card, your spending can easily spiral out of control. It can be difficult keeping up with multiple card payments too, so always try to just use one card whenever possible.

Credit cards can be extremely useful if they are used correctly. Be sure to avoid the common mistakes above if you don't want to get into unmanageable debt.

Should You Take a Credit Limit Increase?

Received notification that you're getting a credit limit increase? As tempting as it might be, you may not want to utilize it right away.

There are pros and cons of credit limit increases. While initially it's exciting to know that you have access to a larger sum of money, it can also be potentially disastrous if you use it incorrectly.

Below, we'll look at the pros and cons of credit limit increases to help you decide whether to use them.

What Are the Advantages of a Credit Limit Increase?

As well as the obvious increased borrowing amount, there are some other great advantages of credit limit increases. These include:

- Lower credit utilization
- Additional money for emergencies

- Improved credit score
- Potentially higher reward points

When the credit increases first kicks in, you'll have a lower credit utilization score. This is great news for your credit rating. The amount of credit you're using compared to how much you have is one of the leading factors that contributes towards your credit score. So, if you aren't using the additional limit amount, your credit rating is going to increase.

You'll also have additional money for emergencies, which can give you great peace of mind. You can't always know what's going to crop up in life and if you don't have the money to cover emergencies, it can be extremely worrying.

If you have a reward-based credit card, you can also start earning higher rewards. The more you spend on the card, the more rewards you'll get. These can include air miles, as well as cashback on your purchases. So, it could save you money in the long term too.

What Are the Cons?

Now that we've looked at the pros of a credit limit increase, it's time to review the potential cons. These include:

- It can harm your credit rating
- You'll be in more debt

- Additional cardholders can also use the increase

While when used correctly, a credit limit increase can improve your credit rating, it can potentially damage it too. If you spend the extra money you've been given, it will make your credit utilization score increase. This in turn has a negative impact on your credit score.

There's also the fact that you'll be in more debt. As you already know, the more debt you owe, the more stressful life becomes. It will be much harder to get out of debt if you continue to use the maximum amount of money you can borrow.

Finally, if there are additional cardholders, they too will be able to use the increase provided. So, if your teenagers use the same account, this could cause significant problems.

Keep in mind that although you're offered a credit increase, you don't have to accept it. Consider the pros and cons before deciding whether it's the right option for you. Provided you are going to use the increase sensibly, it can have a positive impact on your financials. However, you need to be disciplined enough to use it correctly.

Modern Retirement

Today, it seems like the cost of living is higher than it's ever been. Retirement should be something you can look forward to. However, the question is: will you even be able to retire when you reach retirement age?

Here are some of the challenges associated with retirement today and how you can ensure you have enough funds to retire in today's world.

Why Is It Challenging to Retire Today?

There are a lot of challenges people face when looking to retire today. Not only has the cost of living increased, but we're also starting to live longer.

On the one hand, living longer is awesome. You get to spend more time with the people you love, exploring the world around you. On the other hand, it also means that you need to find additional money to fund your longer lifespan. This makes retiring at the standard age much more difficult for the younger generation.

It can be difficult to save towards retirement in today's economy. If you're struggling with money now and finding it difficult to save, it's understandable to be worried about your ability to fund your retirement.

Calculating How Much You'll Need

While retiring in today's world is a lot more challenging than it used to be, there are ways to make it easier. Firstly, you'll need to calculate how much you'll realistically need when you retire.

Add up all the expenses you'll have, alongside the lifestyle you're hoping to lead once you're retired. This will give you a good idea of the amount you'll need. Having this goal will help you to figure out how to top up your retirement fund.

Know How to Lower Living Expenses after Retirement

It could be that you simply couldn't afford the lifestyle you want. While everyone should be able to enjoy their retirement exactly how they want to, financial constraints sadly often make it impossible. However, that doesn't mean you can't still enjoy your retirement.

By cutting back expenses, you'll hopefully be able to retire at the standard retirement age. This could mean moving into a smaller, cheaper home for example. Doing this will also lower your utility bills.

Taking Care of Medical Insurance

One thing that can push your retirement costs up is medical insurance. You'll get to still use your employer's medical insurance for up to one year after retiring. However, the cost of taking out your own policy after that can be extortionate. The older you are, the more health problems you're likely to develop. This means the insurance rates will skyrocket.

So, start by taking care of your medical insurance today. The earlier you take out a policy, the less expensive it's going to be.

It may be more difficult to retire in today's world, but it's not impossible. You could also seek retirement advice to find out how you can prepare financially in accordance to your personal circumstances. The earlier you start to prepare, the more likely you are to be able to retire in comfort when the time comes.

Common Mistakes with Retirement Funds

After working hard for most of your life, you deserve to not have to worry about money during your retirement. However, in order to achieve this, you're going to need to plan for your retirement well in advance.

The trouble is, there are a lot of mistakes you can make with retirement planning. Here, we'll look at some of the most common mistakes you'll want to avoid.

Not Saving Enough

By far the biggest retirement planning mistake people make is not saving enough. It's easy to underestimate how much you need in order to live comfortably. Did you know for example, that you'll need to replace around 80% to 90% of your income once you retire?

You'll need to sit down and work out how much you need to live the lifestyle you want once you do stop working. Also, don't overestimate how long you'll be able to keep working. Generally, the earlier you start to save towards your retirement, the better off you'll be.

Not Utilizing the Employer Match Scheme

Are you taking full advantage of the employer match retirement scheme? If not, you wouldn't be alone.

If your employer offers the 401k or another match program, utilize it! You'll basically be receiving free contributions into your pension. Provided you are also contributing, all the money your employer puts into your retirement will be 100% yours. For example, if your employer donates 2% to your retirement, you should also personally contribute 2%. This would give you a total of 4% of your salary being saved for retirement.

Failing to Check Your Retirement Balances

You'll want to keep an eye on your retirement balances. Ideally, this should be done every year. Without keeping track of your accounts, you won't know how well your retirement plan is performing. When you invest in retirement schemes, there is always a risk you could lose money. So, by keeping an eye on it, you'll reduce the chances of earning back less than you put in.

Eating into Your Savings

If you have a retirement plan which enables you to take a loan out of your savings, don't do it. While you may need money now, if you eat into your retirement savings, it's going to lower the amount you'll receive when you do retire.

Saving for retirement isn't easy and it's made harder when you have a loan to pay back on the money you borrowed. As well as paying back the amount you borrowed, you'll also be paying back interest, so you'll effectively be losing money.

Not Diversifying Your Portfolio

You've heard of the phrase "don't place all of your eggs into one basket" and this particularly relates to retirement funds. It's important to make sure you have a diverse portfolio. That way, if one investment isn't performing well, it won't affect your savings as much if you have money in other investments too.

Planning for your retirement is extremely important. The above are some of the most common mistakes you can make which could hinder your financial security.

I hope this small book was a good read for you and will help you along managing your money. Please do send any reviews or questions you may need answering as we may add the answers into a new book helping as many beginners as possible!

Best Regards

Colleen Brady

This book was proofread and edited by Colleen Brady June 2020.

Send reviews and Questions to:
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Please put ‘Managing Your Money’ in the subject so we can find your emails easily.