

MAKING THE MOST OF YOUR MONEY

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The aim of this report is to suggest actions which you can take to impact your personal finances in these testing times. It does not constitute financial advice which requires a personal assessment of your individual circumstances.

Part A - Build up cash

Prepare a plan

Most people hate budgets. So here let us call it a money plan. Strengthen your awareness by drawing up a money plan of expected monthly or weekly income, and expenses which are likely to be incurred. This will help you understand the facts of the situation before deciding what needs addressing and how much of a gap there is to fill. If income has reduced, then expenditure will likely need to reduce also.



Reduce costs where possible

Your initial reaction may be to reduce household expenditure. Some expenses such as travel and eating out will already have reduced given the lockdown. If necessary, you can temporarily stop spending on non-essential items and build up some cash for an emergency fund. Examples include:

- Gym membership
- Sky and BT Sport packages (given there is no sport being played)
- Travel season tickets can be part-refunded for the portion which is not being used.
- Prepaid nursery fees, private school fees or exercise classes may not be refundable but are worth checking, even if it means the payments can be converted into credit for the future when they can be used.

Build up cash

Cash is King. Chances are holidays and other future commitments are no longer going ahead, so there may be refunds available or insurance claims to be made. Most banks will now waive the early withdrawal fee on cash held in fixed term savings accounts, which is another way to create a buffer in difficult times. Only dip into your savings if necessary.

Another option available if you have good credit history is to take out a 0% credit card which can give 0% interest on purchases made for 12, 18 or 24 months. This is only a temporary measure and you need to be confident you can repay the amount at the end of the term as this is effectively taking on additional debt – albeit at 0% interest.

More on credit cards later.

Part B – Tax and Benefits

Universal Credit

Universal credit, the UK government's social security payment, now covers most of the benefits available to individuals. There is a detailed guide which covers more considerations of Universal Credit. The key points are:

- A change to working hours / pay may mean that an individual can claim an increased Universal Credit payment
- Self-employed and zero-hour contract workers can receive Universal Credit
- The typical 5-week lag before receiving payments for Universal Credit can be shortened by an emergency Universal Credit loan which is then paid off by future Universal Credit payments

See: <https://www.gov.uk/universal-credit>

Job Seekers Allowance

If you have lost your job you may be eligible for 'New Style Employment and Support Allowance'. This applies to people who have been employees (not self-employed) in the last 2 or 3 years.

<https://www.gov.uk/jobseekers-allowance/eligibility>

Child Benefit

With many people being furloughed, made redundant or making lower profits, their income for 2020/21 may now fall below the £50,000 limit at which child benefit starts being taxed. The rate of Child Benefit increased from 6 April to £21.05 a week for the eldest child and £13.95 for each additional child. Many couples with income over £60,000, when the benefit is fully taxed, stopped claiming Child Benefit rather than having to repay it back in tax. If applicable you could therefore reinstate their claims if the income of the higher paid taxpayer drops back below £60,000.

Self-Assessment Deferral

For the self-employed, the next deadline for self-assessment tax is 31 July 2020 for the second payment on account. This can now be deferred until 31 January 2021 which gives a cash boost for the next 6 months but remember this will need to be paid along with the tax due on the 2019/2020 profits in the tax return, also due by 31 January 2021.

Working from home allowance

If you now have to work from home, your employer is required to pay you a working from home allowance. This can either be a flat rate of £6 a week or can be calculated as the directly incurred increase in expenses. Speak to your HR department to see how to claim this.

Part C – Housing Costs

Mortgages

Banks have been required to provide 3 months mortgage relief to borrowers. People should contact their lender directly and in many cases, this can be done online. Do not cancel the direct debit to the bank as this will be classed as a missed payment and recorded on your credit file. Eligibility criteria includes that mortgage payments are up to date and the individual has been impacted by Covid-19 (self-certified). Interest will still accrue on the mortgage for the 3-month period but no cash payments are needed to be made.

Other options which may be worth considering include switching to an interest only mortgage and extending the term of the mortgage. Weigh carefully the costs and benefits of these options.

Rent

The government has announced protection for private and social renters such that landlords will have to give renters 3 months' notice if they intend to seek re-possession (i.e. serve notice that they want to end the tenancy). This legislation is in force until 30 September 2020 but may be extended.

If you as a renter are having difficulty paying rent then you should in the first instance communicate with their landlord and reach an agreement. The landlord can apply for the 3-month mortgage relief mentioned above which would be expected to be passed on to the renter.

<https://www.gov.uk/government/publications/covid-19-and-renting-guidance-for-landlords-tenants-and-local-authorities>

Utility Costs

This may be a good opportunity to shop around for new gas, electricity, water and broadband providers to save money. But if a physical installation is needed to take place then it may not be possible to do so until after lockdown is lifted. Numerous comparison and switching sites exist online.

Helpful guide on household costs here:

<https://www.moneysavingexpert.com/news/2020/03/uk-coronavirus-help-and-your-rights/>

Council Tax

Reports are that many councils have been accommodating to individuals struggling to pay their council tax. There is no country wide standard for this so it is a case of reviewing your local council's website and approaching them directly to see what help they can provide.

Part D – Personal Finances

Credit Cards / Personal Loans / Overdrafts

The Financial Conduct Authority (FCA) has recently brought in a series of measures to support individuals. The summary terms are for those negatively affected by the virus:

- Offer a temporary payment freeze on loans and credit cards for up to three months.
- Allow customers with an existing arranged overdraft on their current account, up to £500 charged at zero interest for three months
- Make sure that overdraft customers are no worse off when compared to the prices they were charged before the recent overdraft pricing changes came into force
- Ensure consumers using any of these temporary payment freeze measures will not have their credit file affected

<https://www.fca.org.uk/news/press-releases/fca-confirms-temporary-financial-relief-customers-impacted-coronavirus>

If you have a permanent / large balance on a credit card there are two main options:



1. If possible, do a 0% balance transfer to another credit card: or
2. Speak to the credit card company, explain that you have been impacted by Covid-19 and try to reach an arrangement

It may also be a good time to go through your current account statement and make sure you know what all the direct debits are and more importantly are they still needed. Check also Paypal (if you use it) and automated credit card payment. Many a trial offer results in ongoing and unnecessary debits.

Car Finance / Pay Day Lenders

The FCA has also brought in measures to protect consumers who have the following financial products:

- **Motor finance** – Firms are required to provide a 3-month payment freeze to customers who are having temporary difficulties meeting finance or leasing payments due to coronavirus. Firms are also expected to act fairly if the lease has come to an end and the individual cannot make the balloon payment.
- **High-cost short-term credit** (including payday loans) - Firms are required to provide a 1-month payment freeze to customers facing temporary payment difficulties due to the coronavirus pandemic. No additional interest should be charged to the customer as a result of the payment freeze.
- **Other credit products** - Firms that provide Rent-to-own, Buy-now-pay-later, or pawnbroking agreements to provide a 3-month payment freeze to customers facing payment difficulties due to coronavirus. Pawnbrokers should agree not to sell an item for the 3-month period.

<https://www.fca.org.uk/news/press-releases/fca-confirms-support-motor-finance-and-high-cost-credit-customers>

Self Employed Grant Scheme

The government scheme to support the self-employed protect individuals if they have suffered a loss in income. In this instance, a taxable grant will be paid to the self-employed or partnerships, worth 80% of profits up to a cap of £2,500 per month.

Part E – Other Ways to Save

MOT Deferral

The MOT expiry date will be extended by 6 months if it is due on or after 30 March 2020 - but the vehicle must be kept safe to drive.

Vehicle SORN

Vehicles that are not on the road don't need to be insured. That means if your vehicle is no longer needed you can apply for a Statutory Off Road Notification (SORN) to officially declare it 'off road' (assuming it is parked on private property). Once certified, the insurance and road tax no longer need to be paid and any refunds can be reclaimed.

Part F – Can You Earn More?

So far in this guide we have looked mainly at reducing costs. But that is only one side of the coin. Is there a way in which you could earn extra?

Is now a good time for a clear out? Could the contents of your attic or garage go on eBay? They currently offer free pick up so no trips to the post office required.

Can you make a little extra online? Do you have freelancing skills such as design, copywriting, proofreading or bookkeeping? Freelancing sites such as Fiverr.com or Upwork have reported a boom in business with high levels of demand.

Finally, is now the right time to launch that business or project you have been dreaming of? What 1 action could you take today to make it a step closer?