



Debtless Financial Matters Workshop



Debtless Partnership: Think Twice! - Debt Is a Serious Issue

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**Lifelong
Learning
Programme**

Introduction

'Debtless' is a Grundtvig Partnership Project which was instigated in response to the current economic climate in which many individuals and families find themselves in debt.



Anyone can find themselves in a difficult financial situation at any given time. This has been a tragic reality for many people in the past couple of years. Due to personal problems or the global financial crisis people can get into financial problems and then find it hard to get back on the right track. Everyone is forced to make decisions, because of their risen monthly costs. Although this is a fact for both the lower and the higher incomes, students or people who live on social welfare are most affected by this. They do not have a wide range of choices to make and they must therefore make those decisions sensibly.

In this handbook we give you an idea of the different possibilities, so that you are actually able to make those difficult decisions. In it you will find practical tips to manage your finances. It is a tool to avoid financial crisis but it can also help you manage your finances when you are already indebted. It also contains links to websites for more background information, or even to deal with your financial matters as you work through this book.

We hope you will be able to get your finances back on track and that you can face your financial future with confidence!

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1) Organizing the financial mail

(See appendix II)

To keep a clear overview, incoming mail has to be sorted out in four piles:

Throw away or delete:	no useful information - for no purpose
Useful for shopping:	supermarkets offers and brochures
Financial administration:	bills, pay cheques, insurances
Personal mail:	emails, letters, birthday cards etc!

If the financial mail was sent you by post than you should make use of folders.

If you get e-mails then save them in different folders on your computer.

You will make it easier for yourself if you name those folders (post or mail) according to their content (for example: telephone, rent). See appendix II.

Buy and label folders.

Do's!

- Open your mail daily;
- Store the mail in the same place in your house;
- Check your bank slips and internet banking;
- Pay as much as possible automatically;
- Fix a time in the week for working on financial administration and checking your Internet bank account.

Don'ts!

- Leave unopened mail for longer than two weeks;
- Hope that bills will be forgotten;
- Throw away warranties and receipts;
- React to emails from unknown senders;
- Tell anyone your password or PIN number.

2) Handling bank affairs

You can do your payments by giro, but the majority of people deal with their finances by internet banking. This has a number of advantages: you can check your bank balance at any given time and you can automatically make payments. This way you will never forget a payment again!

Internet banking:

You can apply to set up internet banking with your bank or check their website. Obviously you will need a computer with an internet connection. You can also ask your bank for any additional requirements your computer may need.

- Check the internet to find out how internet banking works at your bank and how to apply.
- If you decide to use internet banking, apply for this.
- Print the account overview

Make a payment through the bank

Although internet banking is the quickest and easiest way of banking by far, it is also possible to pay in other ways:

- You can transfer money by a 'transfer form'. The bank will transfer the money for you, after receiving this form from you. Ask your bank for these forms.
 - Make use of a giro
 - You can also transfer money automatically. By arranging a direct debit, a company can withdraw money from your account, without you having to give your permission for every withdrawal.
- If you decide to use 'transfer forms', ask your bank for these
 - For practice: try filling out a giro
 - Find out how to arrange a direct debit
 - Answer the following questions

When can you open an account?

What are the different available accounts?

How much interest do you get on your current account?

How much interest do you get on your savings account?

Is it free of charge to receive a bank overview?

Is it free of charge to do money transfers?

Do's!

- Make sure to have a savings account;
- Transfer additional incoming money directly to your savings account;
- If possible; save a fixed amount of money each month;
- Put your small change in a money box.

3) Overview and planning of financial matters

(see appendices III and IV)

In order to make a proper estimate, you should first answer the following questions

What is your monthly income?

Find out the monthly fixed expenses. Also take into account the expenses which aren't withdrawn monthly.

What are the expenses for that specific month? Examples of this are birthday gifts, parties or other activities.

How much money can you put aside to save?

How much money is left each week for your daily expenses?

Is your income and spending in balance or do you need to make different choices to achieve this?

(Use appendices III and IV for making an estimate.)

Do's!

- Ask for receipts in shops and keep them tidy;
- Keep at least two weeks in a cheque book;
- Which conclusions can you draw for that cheque book?
- Make a week estimate and check it the week after.

4) Organizing and taking care of bank payments

Internet banking is the easiest way to keep an overview of your payments. You can check your account on a daily base. If you don't have internet banking, then you have to use the bank statements, which you get from your bank.

It is convenient to use a direct debit for your fixed expenses. If you use internet banking, you can arrange this yourself, otherwise you can authorise a company to withdraw the money from your account. This is done on the same day of each month. By using a direct debit you won't forget to pay bills. For more information, see chapter 2 (Handling bank affairs).

A direct debit can usually only be actioned if there is enough money in your account. You know when money is to be withdrawn, so make sure there is enough money at that time.

Note! If you cannot find a withdrawal on your bank statement, then the money most likely hasn't been withdrawn due to a deficit. **You may get into arrears if that is the case.** It is up to you to make sure this payment is made as soon as possible!

- Make a list of payments which are made by direct debit.
- Write down on which date each withdrawal is done.
- Write down when money due in your account
- Check which payments you would like to pay by direct debit and arrange that
- Find out what a credit note is and how it works

5) Do you have debt problems?

Having a loan or mortgage, it might happen to you that you are for some reason unable to repay the next payment. This can be caused by many circumstances, e.g. losing your job, family crisis (divorce), severe disease etc. In such case, you should immediately contact your creditor and inform him about your situation. If you don't pay and don't try to solve it right away, you are in a risk of serious indebtedness.

If you are in debt and you would like to pay it off, first of all you have to make sure the debt doesn't increase. After that you can calculate how much you can pay off each month. Make sure you have an estimate of your incomes and expenses. Once you have that, you can contact your creditors with a reasonable proposal.

This usually means paying small amounts of money over a longer period, so you can also pay the remaining financial obligations. Of course the amount can't be too small, because the creditor won't accept the proposal in that case.

Fortunately, there are various organizations to help you, (mostly) with free help or advice. Find that help as soon as possible! Everyone can get into financial problems, but be sure to deal with those problems quickly, in order to prevent higher debts.

The first step to finding help is to find information on several websites:

Note for the teacher: find suitable websites (insurances, financial advice, banks specializing in debts, etc.)

If you would like to talk to somebody about your debts, you can get information from your local council. Most local councils have policies regarding debt counselling. You can also contact a social worker, the social services or a special bank for debts.

6) How does a loan work?

Loan:

Loans are one of the main reasons for indebtedness. So before you decide to ask for one you should really carefully think about it. The most important question to ask yourself is: Do I really need what I'm going to buy, or can I live without it?

If you decide that you really want to have something, which you haven't saved for, you can ask the bank or a non-bank institution for a loan or pay in instalments. However, both options are more expensive than paying directly for something. For banks and companies it is an easy way of earning money. So the advantage is that you can immediately have a desired item, but the costs are higher.

Do you know how much interest you pay on a bank loan when paying in instalments?

If you really need to get a loan then:

- Compare all the bank-offers and find out the rates of interest
- Find out how much you have to pay back per month
- Find out how much is the APR (annual percentage rate) - the interest rate for a whole year (annualized), rather than just a monthly fee/rate
- Find out what happens if you have difficulties to pay the rates (monthly or annually)
- Calculate the total costs for either buying an iPad and paying by instalments or paying the total amount at once.
- Make a list of things, for which you definitely don't want to have a loan
- Also make a list of things, for which you would take out a loan.
- Find out information about different kind of loans.

Be really careful with loans from non- bank institutions, since they often have much higher interest rates! Always look for the Annual Percentage Rate (APR%) as this allows you to work out exactly what you will pay each month and the interest you will pay over the life of the loan. If the rate is not clearly displayed then be very careful!

Mortgage:

If you want to buy a house or an apartment and you have not enough money to pay the whole amount than you may need a mortgage. For that:

- Check how much money you have saved and how much you still need
- Compare all the bank-offers and find out the rates of interest
- Find out how much you have to pay back per month
- Find out how much the APR is (annual percentage rate is the interest rate for a whole year (annualized), rather than just a monthly fee/rate)
- Find out what happens if you have difficulties to pay the rates (monthly / annually)

Credit Cards:

Also with the use of credit cards you should be really carefully, since you may spent money that you not even have on your account. Before you get a credit card ask yourself if it's really necessary and how much does it cost you per year.

7) Taxes

Answer the following questions:

When do you pay taxes?

What does the government do with the tax money you pay?

Can I get tax money refunded?

How does a tax refund work?

The NHS is financed from mandatory national insurance taxation paid by employees directly from their salaries and supplemented by an obligatory contribution from employers. Self-employed persons have to pay the full contribution themselves. The onus is on the employer to deduct contributions from its employee's wages.

8) Health care and digital ID

The National Health Service (NHS)

The NHS is in charge of healthcare in the UK - providing healthcare to all permanent UK residents that is free at the point of use and paid for from general taxation. There may be charges associated with eye tests, dental care, prescriptions, and other aspects of personal care, although a large proportion of the population are exempt from these costs. Dependant family members and vulnerable groups like the unemployed are exempt from contributions

The Department of Health centrally governs the NHS. Care trusts in charge of treatment policies, vaccination programmes and healthcare budgets run the NHS service. Originally one national organisation, covered the whole of the UK, but more recently, the service has been decentralised into four independent organisations; one for each of the countries which make up the United Kingdom. Each service has its own legislation, but each service will treat the needs of citizens from other parts of the UK.

Private Healthcare

The UK has a relatively strong private healthcare sector, which is funded largely by private insurance contributions, but it is used only by a limited percentage of people, often as a top up to the basic state healthcare. It would be very unusual for those struggling with their financial matters to opt to pay for private Health Insurance.

Although the NHS dominates healthcare provision in the UK private health care and a wide variety of alternative and complementary treatments are available for those willing to pay. Health Insurance is sometimes offered to employees as part of their employment package, generally speeding up treatment and offering services at Private hospitals.

9) What are the costs of living on your own?

Living on your own is always more expensive than living with your parents. To be well prepared you should answer the following questions:

How high is your income?

Which costs will you face when you live on your own?

What is the difference between renting a room or renting a house?

What are your fixed and variable costs? (see appendix IV)

Note for the teacher: find out if there are possibilities to get a government subsidy for renting, give an example about the costs of living in your area (average rent, costs of services such as energy and water etc.)

10) Calling and getting information from organizations

It is hard to know everything, so it is common to call an organization if you need specific information. Some people find this hard, but preparing this call, can make it easier:

Think about what you want to know exactly.

Write down your questions.

If you call with an organization, the first person you speak to is most likely to be a receptionist. This person cannot help you, but will put you through to the person who can. So instead of asking this person all of your questions, it is better to tell him or her your name and what your question is about.

A good start would be: "Good afternoon, Jack Johnson speaking, I have a question regarding the refund of taxes." Either you will be asked for your question or you will be put through with someone else who knows more about the specific topic. Feel free to ask questions if something is unclear. And at the end of the conversation you can say that you would like to check your list, so you can check if you've asked everything you wanted to know. If so, you can thank the person and end the conversation, if not simply ask the remaining question(s).

Sometimes, before the phone is answered by a person, you can hear a menu with different possibilities. Listen to these options and choose the one which applies best. If you are in doubt, you can usually return to the main menu and listen to your options again. If not, you can always hang up and redial the number.

You need to realize that some information helplines cost money. The costs are usually mentioned at the start of the conversation. In that case it is important to keep the conversation short and to the point. Another option is getting the information in another (free) way, like visiting the website of the organization or by sending an e-mail.

If your problems couldn't be solved on the phone, try to make an appointment with the person in charge.

11) Responsible shopping (appendix V)

Most people are used to paying with their switch card. However, this way people tend to spend more money than they intend to. It is also more difficult to keep track of your expenses. It is advisable to withdraw the amount of money you will need for that specific week at a cash point. This way you never overspend.

→ Make a list of the three cheapest supermarkets available to you

□

12) Special offers

Don't be tempted by special offers! Companies want you to buy their products. You might not want or need those products, but you could be tempted by the special offers. So, before you buy something, ask yourself the following questions:

- Did I want to have this product, even before I knew about the special offer?
- Is this really the lowest price?
- Are there additional (hidden) charges for the product and can I afford those too?
- Where am I going to store this product?
- What if I postpone buying it?
- Would I still want to have it in two weeks' time?

Your mobile phone:

A mobile phone is never free of charge and is usually used to get you to subscribe. A cheap subscription usually means higher call charges. Calls outside your call bundle are often expensive and you can run out faster than you think!

Using the unused data of one month in the next usually means that you have pay more because of the higher costs for calling outside your call bundle. Determine how much data you use monthly.

- Is your bundle the most suitable one for your specific needs?
- Do you get a call from your provider when you are at your limit?

Pay as you go can protect against high bills!

13) Useful links

You can find a lot of information on the discussed topics on the internet. We have put together a list of useful links for you. It's worth visiting these sites!

Consumer Credit Counselling Service – CCCS <http://www.cccs.co.uk/>

There are two main sections - CCCS Helpline a free Helpline open from 8am to 8pm Monday to Friday and CCCS Debt Remedy

CCCS Debt Remedy provides a host of useful information, including a budgeting tool and operates the world's first online debt counselling service. It is available 24 hours a day at and is for people who would prefer to use an anonymous service. CCCS Debt Remedy guides users through a step by step process equivalent to calling the helpline with a follow-up counselling session. It recommends an appropriate course of action, one of which may be to speak directly to a counsellor.

A standard debt management plan from a fee-charging company could cost up to £5,000. The CCCS do not charge any fees for their services. Unlike for-profit debt management companies, they will organise and administer an individual's debt management plan at no cost to the person in debt and with no hidden fees, so everything paid goes towards reducing debts.

The Citizens Advice Service <http://www.citizensadvice.org.uk/>

'helps people resolve their legal, money and other problems by providing free, independent and confidential advice, and by influencing policymakers.'

As well as the website, Citizens Advice Bureaux offer free, confidential, impartial and independent advice from over 3,500 physical locations. These include high streets, community centres, doctors' surgeries, courts and prisons. CABs have been part of the British landscape for many years and are trusted by people for their impartial and expert advice.

Money Saving Expert <http://www.moneysavingexpert.com/>

An incredibly popular website with typically 11-12 million visitors per month, with weekly emails linked to everything which can save individuals and families money – provides a wide range of tools and resources, advice, forums and much more. Families following the 'Down to Earth' advice could save massive amounts of money and help avoid debt.

uSwitch <http://www.uswitch.com/>

uSwitch is a free, impartial online and telephone comparison and switching service that helps people to compare prices on a range of products and services including gas & electricity, heating cover, home phone, communications, insurance and personal finance products.

Financial Services Authority

<http://www.fsa.gov.uk/pages/consumerinformation/index.shtml>

The FSA has a dedicated Consumer Helpline offering impartial information and general guidance. It can also provide details of other helpful organisations. The FSA is the regulatory body with overall responsibility for the Banking and Financial Institutions in the UK. They oversee all products and services available. They also regulate the claims made for financial services and products to protect the consumer and try to minimise the risk of people going into debt.

The Money Advice Service <http://www.moneyadviceservice.org.uk>

"Our vision is to enhance people's lives because they take control of their money as a matter of course." We give unbiased money advice, as well as influencing policy makers and the financial sector.

National Debtline - <http://www.nationaldebtline.co.uk/>

National Debtline was set up in 1987 and is part of the Money Advice Trust (MAT), a registered charity funded by the government and the private sector.

The aims of the Money Advice Trust (MAT) are to support people with debt in the UK and to improve the standards of independent money advice. CCCS works in partnership with the Money Advice Trust.

My Money steps <https://www.mymoneysteps.org>

My Money Steps offers advice on debt problems or when people find they have more money going out than coming in. They answer some simple questions about their circumstances, and My Money Steps gives advice about how best to deal with debts.

People are given personalised advice to help them improve their situation and they can return to My Money Steps on a regular basis to update details and get fresh advice. My Money Steps is free to use, easy to understand and is run by National Debtline, a charity that provides free, confidential and independent debt advice.

Other useful websites:

Child Trust Fund

www.direct.gov.uk/childtrustfund

Consumer Credit Counselling Service

www.cccs.co.uk

Family Information Service (Great Britain)

www.nafis.org.uk

Family Lives (previously Parentline Plus)

www.familylives.org.uk

Student Awards Agency for Scotland

www.saas.gov.uk

Student Finance England

www.direct.gov.uk/studentfinance

Student Finance NI

www.studentfinancenl.co.uk

Student Finance Wales

www.studentfinancewales.co.uk

Appendix I: Checklist Financial Matters

When completing the checklist, it is important to be honest. This makes you more aware of your attitude towards your finances.

	yes	no
I put my financial mail in a designated folder.		
I can live without designer clothes.		
When I see something nice, I can walk away without buying it.		
I always open my mail.		
I know the exact figure of my rent.		
I know the amounts I pay for gas, electricity etc.		
I know when the rent is taken out of my account.		
I rarely buy items through Internet.		
I am aware of my monthly cell phone costs.		
I can arrange my own healthcare insurance.		
I know my automatic payments.		
I keep a cash book up to date.		
I make appointments with myself about money.		
If I make an appointment with myself, then I keep it.		
I can set up a month budget and keep commitments.		
I understand my bank bookings.		
I am conscious with prices.		
I do speak to people about my finance.		
I say no when people want to borrow money from me.		
I know exactly how high my debts are.		
I don't borrow from other people.		
If I plan something it will happen.		
I can make arrangements.		

I'll keep myself to commitments.		
I ask if I need help.		
I call authorities, and that costs me no effort.		
I face immediately tough things.		
My finances are in order.		
I can postpone my own wishes.		
I know how problems with my money arise.		
For me money is an understandable subject.		
I do speak with others about what I'm doing with my money.		
I want help with my financial matters.		
I sleep well and my sleep is not troubled by financial worries.		
I evaluate before buying something.		

Count all the 'yes' boxes you have ticked. The more there are, the better your relation to money!

Appendix II: Example tabs - Financial Matters

- @ To pay
-  Phone/Cable/Internet
-  Income
-  Healthcare
-  Living/rent
-  Diplomas etc.
-  Costs of energy
- I Insurance
-  Contributions and subscriptions
-  Receipts/Warranties
-  Taxes
-  School and education
-  Public transportation
- × Extra

Appendix III: Weekly Budget Plan

Weekly Budget of:

Week:

From:

To:

This week budget: €

	Plan	Actual
Save for rent	€	€
Food/ meals	€	€
Shampoo and other personal hygiene	€	€
Cleaning products	€	€
Sweets, snacks	€	€
Smoking	€	€
Not specified	€	€
Other reservations (clothes, washing machine etc)	€	€
Total:	€	€

Total this week: €

This is only an example, and should be adjusted depending on your needs.

Appendix IV: Monthly Budget

Average Monthly Budget

Date:

Month:

1 _____

€ _____

2 _____

€ _____

3 _____

€ _____

TOTAL INCOME

FIXED EXPENSES:

	Plan	Actual
Rent	€	€
Gas/ energy	€	€
Water	€	€
Taxes	€	€
Telephone	€	€
Insurances	€	€
Health care costs	€	€
Contribution/ subscription	€	€
Tuition fees/ education/ books	€	€
Travel expenses	€	€
Monthly instalments	€	€

Appendix IV - continued

SAVINGS

Clothes and shoes	€	€
Inventory (purchase/replacements)	€	€
Expenses for leisure activities (clubbing/ concerts etc.)	€	€
Holiday	€	€
Saving	€	€

DAILY EXPENSES:

	Plan	Actual
Food/ meals	€	€
Shampoo, toothpaste and other personal hygiene	€	€
Cleaning products	€	€
Sweets/ snacks	€	€
Smoking	€	€
Not specified	€	€

TOTAL EXPENSES:

<i>Add up:</i>	
Fixed expenses	€
Savings	€
Daily expenses	€
Total	€

Appendix V: Shopping tips

Organization/ Shopping tips and tricks

- You save time and hassle by composing an organized shopping list. Put food groups together: dairy with the dairy, meat with meat, and vegetables with vegetables. You can also adjust your shopping list to the route you want to follow in the supermarket. Put the product you first encounter first on your list.
- Check the paper, brochures and stores for special offers. Adjust your daily menus to the special offers. But make sure that the 'special offers', really are special offers.
- Limit your frequency of shopping to once a week (only if you have enough storage space). The less time you spend in stores, the less money you spend. Don't shop when you're hungry, because then you tend to buy more (unnecessary) products!
- A shopping list is not only very convenient; it also prevents expensive and unnecessary impulse purchases.
- Some supermarkets have a checkout desk for a limited amount of products. This way you can pay quickly and leave before you buy any unnecessary products.
- If there is a special and expensive wish on your shopping list, then combine it with a special offer. That way you don't spend too much money in total.
- Non-perishable products like flower, mayonnaise, etc. are usually cheaper in larger quantities. But if you see a good offer for a small quantity you might spend even less money.
- It is harder to shop and cook for one person. But if you have a good freezer, you can deep-freeze the left-overs. This way you can eat from it again.

Beware!

Special offers can save you a lot of money, but it can also cost you money, if you don't watch out.

Five tips:

- Think twice before changing brands. The difference in price may be tempting, but if you don't like the taste of the new brand, it's a waste of money.
- Don't buy products which are on sale, which you wouldn't have bought otherwise, because of the high price.
- Ready made products like canned soup and pre-cut vegetables are, even on sale, usually more expensive than the 'pure' products.
- Brand products, even when on sale, are more expensive than the supermarket's own brand.
- Watch out for combined offers in which you get two different products for reduced prices, if you buy them at the same time. Ask yourself if you will use both products.

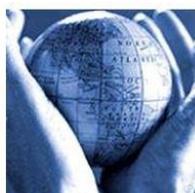
Shopping in a supermarket

- Check the weight and not the size of a product. The size can reveal empty space. On the shelves you can also find the price per kilo. That makes it easy to compare the actual prices.
- For perishable foods you should only buy how much you need for that specific occasion, whereas you can buy larger quantities of non-perishable foods and save the remnants.
- You can find attractive and tasty products at the checkout. Don't be tempted to buy those unnecessary products while waiting, if they aren't on your shopping list.
- Bending doesn't hurt. The more expensive products are usually at eye level. Cheaper brands and products can usually be found on a lower shelf.
- Weigh the pre-weighed products again. Something may have been taken from it. One banana in a bunch, can already make quite a difference in weight and therefore in price.
- Fruit and vegetables are cheapest when the supply is the largest. You can find the seasonal products on special calendars.

The right choice

- Don't buy dented cans. The content may be spoiled. Check if cans and bottles have not yet been opened.
- Shake frozen peas, corn etc. so you can hear if they are separated and haven't clung together like a block. Only the sound of separated peas is proof that it has been kept correctly.
- Don't buy frozen products with white frost on them. This is a sign that it hasn't been kept properly. The product may have been defrosted before. This can cause decay.
- Also make sure to check the sell-by date.

Partners



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