Begin

Financial Wellbeing

Enabling you to thrive

Bank of Ireland UK

What's in this brochure

1 Introduction

In the UK over 20 million of us don't feel confident managing our money. 11.5 million have less than £100 in savings, and nearly nine million of us are in serious debt.*

At Bank of Ireland UK, we want to help you to manage your money with confidence. In this booklet you will learn how to take control of spending, set a budget, and plan for both unexpected life events and your future.

We hope it will help you to begin a journey to better financial wellbeing.

*fincap.org.uk/?_ga=2.27334207.205129475.1588175973-1891248955.1496756383

2 What is Financial Wellbeing?

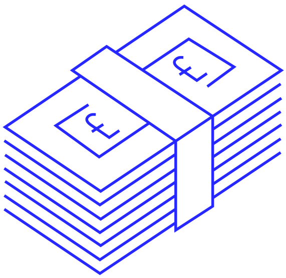
Financial Wellbeing is about what you do with your pot of money, not the size of it. It's about making sure that you can cover day-to-day expenses, plan for the future, and cope with the unexpected, enabling you to do the most with what you have.

Being in control of what you spend, save, borrow and plan for means you're well positioned to:

- Pay bills on time and spend within your means;
- Deal with unexpected expenses, like a boiler breakdown;
- Handle your borrowings comfortably; and
- Plan for and meet your long-term goals.

For more information please visit: bankofirelanduk.com/financialwellbeing

3 Spending



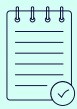
To manage our money better, we first need to take control of our spending.

How to stop overspending now

We all overspend from time to time. But when it becomes a habit, it can be hard to break. Happily, there are steps you can take to get on top of your spending.

1 **Understand your spending triggers**
Trying to keep up appearances? Stressed and looking for retail therapy? Recognise situations and emotions that lead you to overspend, and ask yourself if what your purchasing is intentional, or impulsive.

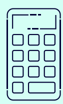
2 **Track your spending**
Take some time to review your most recent bank account and credit card statements to work out exactly where your money has been going.



3 **Make money visible again**
Get receipts for everything! At the end of the month, add up everything you have spent. By seeing where your money is going, you are making money visible.

4 **Choose your money goals**
Do you want to build up a deposit for a home, buy a car or pay for a wedding? You might need to cut back now to save for what you want in the future.

5 **Set a budget**
Work out the cost of your essentials – mortgage/rent, bills, food – and set yourself a budget for each week and month.



10 steps to setting up a budget

Do you know how much money you have to spend for the rest of the week or month? Or do you just spend until the money runs out then borrow or go without?

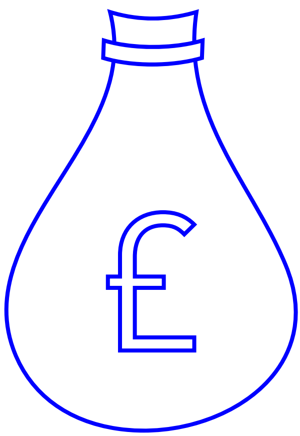
1. Start by getting hold of 3 months' worth of bank account and credit card statements.
2. Write down all the money you have coming in on a weekly or monthly basis. Remember to include any benefits, grants or bursary payments too.
3. Make a note of your essential expenses - these are the things you absolutely need to be able to live such as mortgage or rent payments, utilities, food and transport.
4. Add them all up to get the cost of your weekly/monthly outgoings.
5. Then take a look at everything else you spend money on. Group it into categories like going out, coffees, takeaway etc.
6. How much do all these discretionary items add up to?
7. Add your essential expenses to your discretionary spending.
8. Is your total spending more than your income?
9. If yes, can you cut back on non-essentials? If no, you can choose what you would like to do with the left-over money such as save and put it towards a financial goal.
10. Set yourself a reasonable budget for your non-essentials each week or month.

Managing your money

Here's a couple of tips to help you along the way. Having your online account open or statement in front of you, as well as your household bills to hand, can save time, as you won't have to stop halfway through to search out amounts and charges.

1. Income
Your income is usually your salary from your job and that of your partner or spouse, but it could also include extras such as child benefit.

2. Outgoings
Your spending will fall into several different categories, from household bills to day-to-day expenses. Just be sure to include everything.



Monthly budget planner

Income (after tax)

Salary	
Spouse/partner's income	
Child benefit	
Other income	
Total Income	£

Outgoings

Household

Mortgage/rent	
Home insurance	
Mortgage protection	
Utility bills (gas, oil, electricity, etc.)	
Telephone landline/mobile	
Food/groceries/household	
Clothing	
Rates	

Family

Crèche facilities/babysitting	
School/college expenses	
Health/Life insurance	
Pets	

Debt payments

Credit cards	
Personal loan	
Other loans/financing	

Transport

Car/vehicle loan	
Vehicle maintenance	
Petrol/diesel	
Parking	
Car/vehicle insurance/tax	
Public transport	

Leisure

Entertainment/recreation	
Gym/sports membership	
Hobbies	
Weekends away/holidays	
Dining out/drinks	

Savings

Regular savings	
Investments/equities	
Pensions	

Other outgoings

Total outgoings	£
Total income	£
Total outgoings	£
Surplus/shortage (Total income - Total outgoings)	£

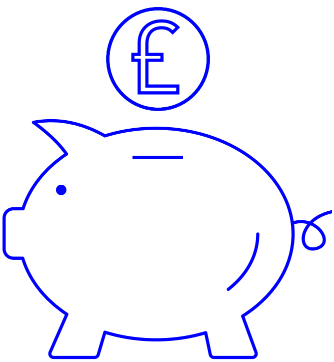
What is 50/30/20 budgeting?

The 50/30/20 rule is a way of managing your money by setting aside:

- 50% of your take home income for needs
- 30% of your take home income for wants
- 20% of your take home income for savings

Needs include life essentials like rent or mortgage payments, gas and electric, rates, transport, child support etc.

Wants are purchases that aren't absolutely essential and give you a nicer lifestyle, such as eating out, entertainment, hobbies and fashion items.



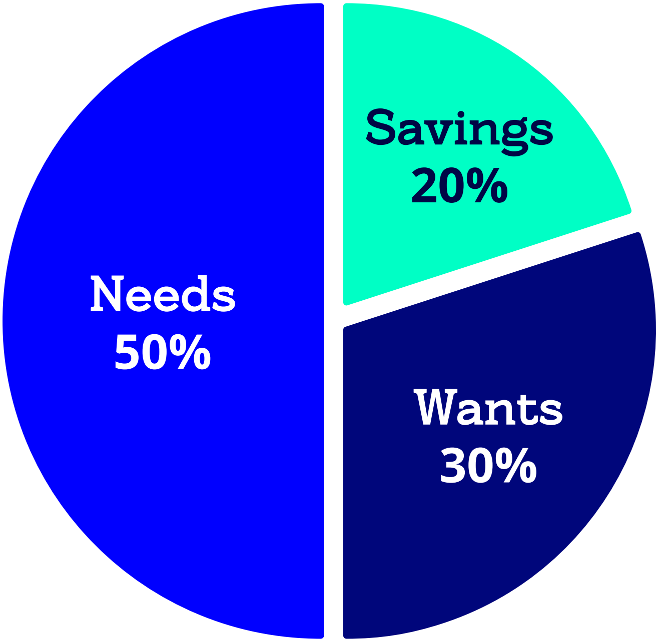
Savings include saving money for emergencies and saving for the future (including taking advantage of employer-sponsored retirement and pension plans).

Applying the 50/30/20 rule

So if your income is £1,800 a month according to the 50/30/20 rule you should try to:

- Use £900 for your needs (50%)
- Spend £540 on your wants (30%)
- Keep £360 for your savings (20%)

If you are struggling to pay for all of your needs, you may need to cut back on your lifestyle expenses in your wants category, and put that money towards your essential expenses. Check back on your budget planner. What is your ratio like for needs, wants and savings?



50% of your take home income for needs

30% of your take home income for wants

20% of your take home income for savings

Understanding your payslip

Whether it's your first payslip or if you've been working for years, it's still important to know how your pay is worked out. Your payslip contains important information, including your payroll number, your gross and net pay, and normally your tax code too. Here's what it all means:

Payroll number

Some companies use payroll numbers to identify individuals on the payroll.

Tax code

This code indicates to your employer what rate you should be taxed at. Your tax code will be sent to you by HM Revenue & Customs (HMRC).

Cut-off

The point between the lower and higher tax rates charged on your earnings.

PAYE (Pay-As-You-Earn)

Tax taken directly from your earnings.

Tax credit

Tax credits, if you qualify for them, reduce the amount of tax you pay.

NI No.

You must have a National Insurance number to work in the UK. You have the same NI number throughout your whole life – even if you change your name.

It's your personal number for the whole of the social security system. It's used to make sure all your contributions are recorded properly and helps to build up your entitlement to state benefits – like a pension.

Gross pay

The money you earned before tax and deductions were taken out.

Understanding your payslip

Net pay

This is the actual amount of money you take home after all tax and other deductions are taken out!

Total deductions

The total of all the tax and any other deductions taken from your gross pay.

Tax period

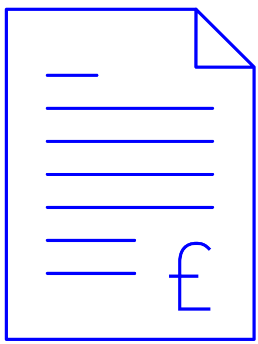
The number here represents the tax period for that payslip. For example, if you are paid monthly, this would translate as: 01 = April and 12 = March.

Pension

If you're paying towards a workplace pension that your company has set up or arranged access to, the amount you're contributing will be shown.

Tax YTD

This describes how much you've earned so far this year. You can find out more information by visiting: moneyadviceservice.org.uk/en/articles/understandingyour-payslip



4 Borrowing

Manage your borrowing better by understanding how late or missed repayments affect your credit profile and ways to get out of debt.

What is a credit rating and why does it matter?

Building a good credit score, also known as a credit rating, is crucial because it can affect your ability to borrow money or access products such as credit cards or loans.

What is a credit score?

Your credit score is created from information held in your credit report, also known as your credit file.

The information held on your credit file and your credit application form might be used to decide:

- whether to lend to you;
- how much to let you borrow; or
- how much interest to charge you.

The most recent information on your file will have the most impact, as lenders will be most interested in your current financial situation. That said, your financial decisions, good or bad, from the last six years, will still be on record.

If your credit report shows a few missed payments, you might be charged higher interest by lenders or might not be eligible for some loans. This is because lenders believe they might be taking a higher risk when lending to you. Your credit history can affect your ability to get things like insurance or begin mobile phone contracts. Regularly checking your report is a great idea, because it can help you spot any fraudulent activity or mistakes on your report.

How do I check my credit score?

There are three main credit scoring agencies in the UK: Equifax, Experian, TransUnion.

You can request full details of your credit file for free or simply get your score online, which is also free. The main difference between the full credit file and online versions are that the credit file versions let you have a paper copy sent to your address, while the other is only available online.

Each charge to access their services, although it's possible to access for free through their partner sites.

You can find out more information by visiting: moneyadviceservice.org.uk/en/articles/how-to-improve-yourcredit-rating

Ways to clear debt

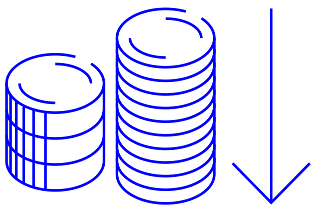
If you have outstanding loans or credit card balances, you may want to make it a priority to pay them off. But if you have more than one debt, which one should you repay first?

Some experts say you should use the **snowball method**, which works like this:

- Order your debts from smallest to largest in terms of money owed.
- Use any extra cash you have available to pay off more of your smallest debt first.
- Continue until all the debts are paid off, swapping the smallest debt as each is cleared.

Other experts say you should use the **avalanche method**, which works like this:

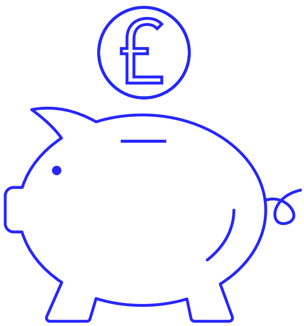
- Order your debts from the highest interest rate to the lowest interest rate.
- Use any extra cash you have available to pay off more of your debt with the highest interest rate.
- Continue until all the debts are paid off, swapping the debt with the highest interest rate as your debts are cleared.



There are other options available for paying off debt and you should consider all options carefully before deciding the best option for you.

5

Saving



Learn how much money experts think you should be saving and why a 'rainy day' fund is so important.

Why you need a rainy day fund

Things often happen when you least expect them - the car breaks down, the boiler fails, you spend longer finding a job – and can knock your finances for a loop. A rainy day fund can help cover the kind of large unexpected bills like these.

How much do you need to put away?

Experts recommend a full emergency fund should contain 3 - 6 months essential expenses for your household.

Essential expenses should including any housing costs such as rent or mortgage payments, utility bills, transport costs and food.

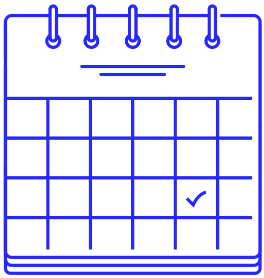
Remember that these are just the basics, and your family's essential expenses could include other items.

Check back on your budget planner and see how much you spend on essentials each month. If all your bills add up to £1,800 a month then, ideally, you'll need a rainy day fund of £5,400 to £10,800.

That might seem like a lot if you have no savings. The key is to start saving what you can now and build it up gradually. A good way to start this habit is to automate the habit of saving - set up a standing order to transfer an amount of money to a separate savings account as soon as you get paid.

But, if this sounds like an impossible ask, then look to start small. Saving £11 per day for 90 days would add up to just under £1,000.

6 Planning



Why it's important to plan long-term while still managing your short-term, everyday expenses.

Why you should be saving for your retirement now

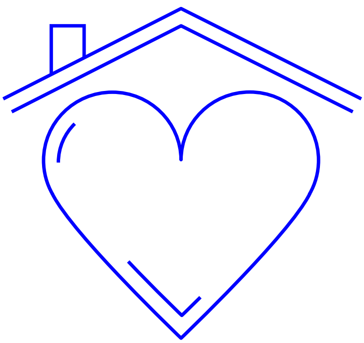
Millions of people aren't saving nearly enough to give them the standard of living they hope for when they retire.

If you've only planned for 20 years in retirement and you live longer than this, you could find yourself struggling financially later in life.

If you fall into this category, you have three choices. You can:

- retire later;
- start saving more; or
- adjust downwards your expectations of what you'll be able to afford in retirement.

Don't rely on the State Pension to keep you going in retirement. Even if you're eligible for the full State Pension of £168.60 a week for the tax year 2019-20, this is far below what most people say they hope to retire on.*



* Source: moneyadviceservice.org.uk/en/articles/the-state-pension-rules-and-changes-explained

Why you should be saving for your retirement now

First things first:

- Make a list of all the essentials you'll need to pay for in retirement such as accommodation, food and bills. Ensure you'll have enough secure income (that's income you can rely on) throughout your retirement to at least cover these costs.
- Your spending habits are likely to change during your retirement. As you get older you may spend less on going out and more time at home and on healthcare.
- Your retirement income is likely to come from 3 main types of pension:
  - the State Pension;
  - defined benefit pensions (salary - related pension from your employer); and
  - defined contribution pensions (workplace/personal/stakeholder pensions where you build up your own pension pot).

You might have one or more different types of pension. Understanding which you have is important because it affects the decisions you need to make as you approach retirement.

You may also have other sources of income such as from savings or property.

To find out more about saving for retirement, visit: moneyadviceservice.org.uk

Should you be saving or investing?

Saving	Investing
Ready access to cash With savings accounts you can generally get your cash when you need it. Some savings accounts have rules about how much and how often you can withdraw cash and how much advance notice you need to give.	**Longer-to-access invested funds** When you invest your money, you may not be able to access it for a set period of time and it may take longer than it would to take money out of a savings account.
Very low risk Your money is covered by the Financial Services Compensation Scheme up to certain limits. For more information visit: fscs.org.uk	**Always involves risk** You are not guaranteed a return and it's possible to lose some or all of the money you invest.
Earn interest You can earn interest on your money but savings accounts may earn a lower return than investments.	**Used for long-term goals** Investing can help you reach long-term goals like paying for children's education or planning for retirement.
Low returns Interest rates are particularly low, right now, and over time, the returns from savings accounts are generally lower than investments.	**Earnings potential** Investments have the potential for higher returns than a savings account.

Being prepared for the worst

We don’t like to think that the worst could happen to us but unfortunately it can and sometimes it does.

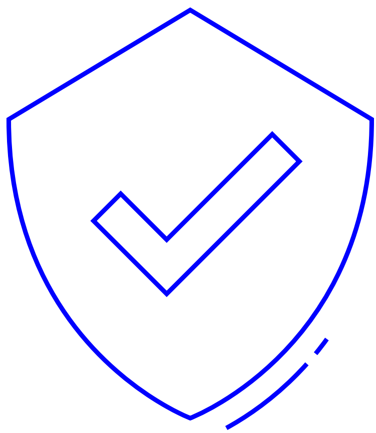
Your future is unknown and it’s important to consider the risks and be prepared if things don’t go to plan. This means thinking about what’s important to you, for example, your family, your lifestyle and your home (rent or mortgage), and making sure they’re protected.

To work out whether you need protection and what type of protection you might need, it’s important to look at the whole picture.

- What savings do you have?
- Do you have a mortgage or any debts you need to pay?
- Do you already have any insurance products, and if so what do they cover?

No two people are the same and the type of protection you need will depend on your personal circumstances and stage in life.

For more information on securing your financial future visit: moneyadviceservice.org.uk



Action Plan

What are the three steps you're going to take to improve your financial wellbeing?

	Actions	By when
1		
2		
3		

Top Tip: Record your 3 actions into your calendar on your phone to act as a reminder to yourself

7 Useful resources

Bank of Ireland UK Financial Wellbeing Hub
bankofirelanduk.com/financialwellbeing

The Money and Pensions Service
Free impartial advice on managing your money.
moneyadviceservice.org.uk

Step Change Debt Charity
Free tailored advice and practical solutions.
stepchange.org

Citizens Advice
General independent and free advice.
citizensadvice.co.uk

National Debtline
Free independent and confidential debt advice.
nationaldebtline.org

Christians Against Poverty
Free debt counselling in your community.
capuk.org

Money Advice Scotland
Free independent, impartial and confident debt advice and financial inclusion.
moneyadvicescotland.org.uk

Advice NI
Debt Action NI Free independent, impartial and confidential debt and money advice across NI
adviceni.net/advice/debt

Department for Work & Pensions
The Department for Work and Pensions (DWP) is responsible for welfare, pensions and child maintenance policy
gov.uk/government/organisations/department-for-work-pensions

HM Revenue & Customs
gov.uk/government/organisations/hm-revenue-customs

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