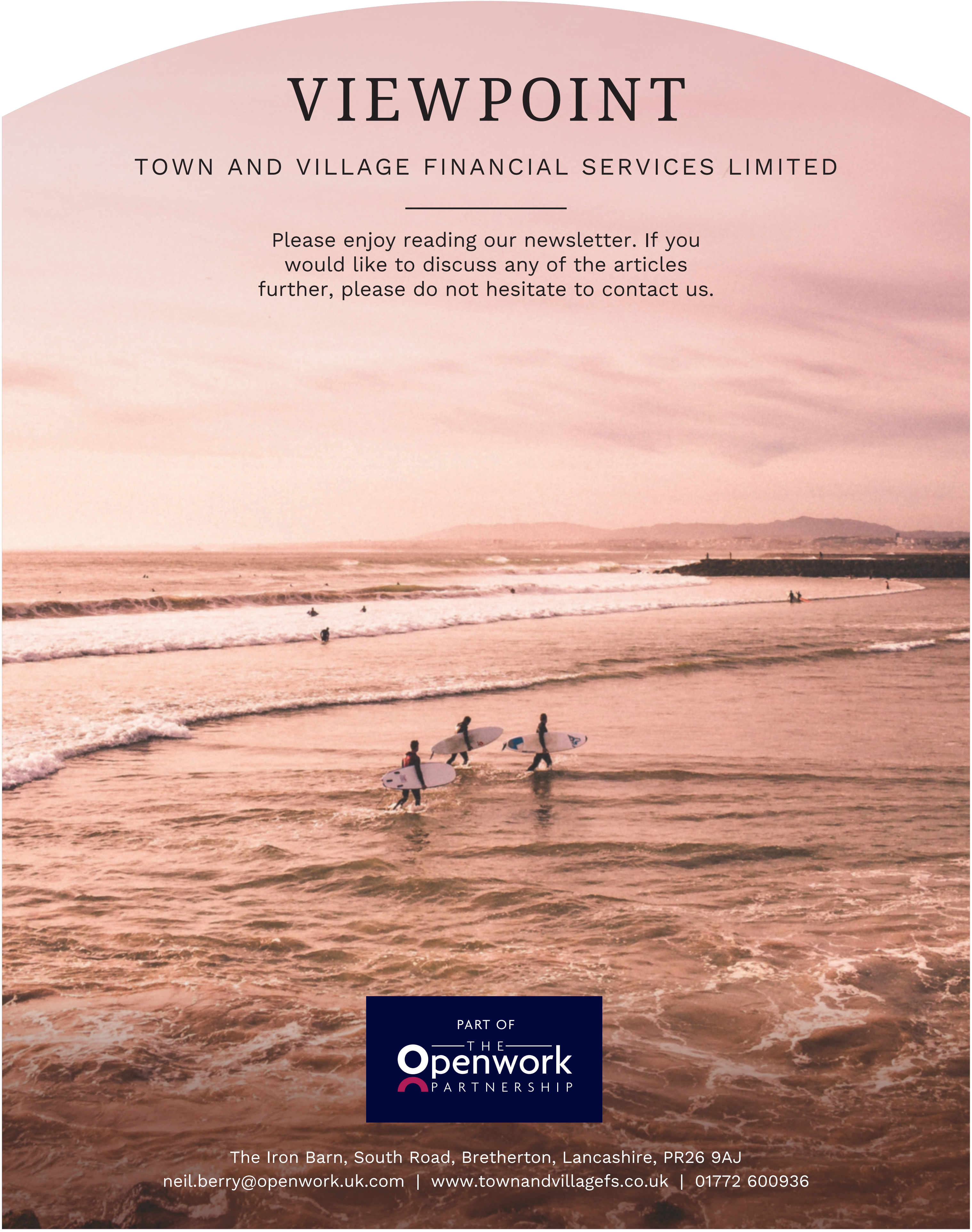
VIEWPOINT

TOWN AND VILLAGE FINANCIAL SERVICES LIMITED

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.



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The Iron Barn, South Road, Bretherton, Lancashire, PR26 9AJ
neil.berry@openwork.uk.com | www.townandvillagefs.co.uk | 01772 600936

3 useful ways to manage your finances and boost your financial wellbeing

The cost of living crisis has dominated the headlines since inflation began to creep up from historic lows in mid-2021.

While the Covid pandemic began the inflationary increase, the situation was made worse by the war in Ukraine, which pushed up energy and food prices even further.

Following such an extended period of price rises, you may be concerned about your household finances and long-term plans.

If you want to understand how you can tweak your expenses and finances to best protect your wealth through the cost of living crisis, read on for three practical tips.

01 Keep calm and carry on protecting yourself

It can be easier said than done, but even when your bills are rising and things are looking a bit worrying, staying calm and thinking objectively about your finances really is the best way to approach the challenge.

You might be tempted to start cutting down on your expenses, but one thing it's really important not to cut is your financial protection.

Research has revealed that 1 in 7 people in the UK are considering cancelling their life insurance policies to save money during the cost of living crisis.

Removing a monthly expense such as a life insurance or income protection premium might feel like a smart move in the short term. But things could become even more challenging if you were to fall ill and not be able to work for a few months or longer. If this were to happen when you'd cancelled your cover, you might struggle even more without the potential pay out from your policy.

If you are struggling to pay your monthly expenses, it's important to reach out and talk to an expert. We can help you to see your finances more clearly and to create a plan of action that takes you from worrying about money to feeling in control.

02 Reducing debt might be the best place to start

If you want to boost your financial wellbeing, it might be best to begin by reducing your debts to lenders.

If you have high levels of debt, your monthly payments could be one of your most costly expenses. If you have some savings, reducing or eliminating the amount you owe could help free up money to be deployed more usefully elsewhere.

High-interest debt is often tied to credit card debt. If you're carrying a long-standing balance from month to month it could be costing you dearly every month.

To illustrate the potentially damaging effects of interest on debt, if you have £1,000 sitting in a savings account earning 1% interest, you're only making £10 a year. If you have £1,000 on a credit card at 18% interest, you'll be paying £180 a year. Using your savings to pay off the debt will mean you are £170 a year better off.

In short, the sooner you can cancel out debt the better.

If you have debt in multiple places, you might want to consider consolidating them.

There are various options for consolidating debt, but the right solution will depend on your individual circumstances. We can help you understand which course of action might be most suitable for you.

03 There might be some easy cost savings that will reduce your monthly bills

Once these bigger things are taken care of, you can look for some smaller actions you could take to reduce your monthly expenses. Review your bank statement to identify anything that you no longer need. Things to look out for include:

- Streaming services that you rarely or never use
- Subscriptions that you don't get value from
- Gym memberships that you don't use
- Delivery fees for online shopping.

Given the sharp rise in energy costs this year, it may also be helpful to consider how you could use energy more efficiently in your home to save costs.

The Energy Saving Trust reports that the average UK household spends £65 a year powering appliances on standby mode. So, remaining vigilant about turning off appliances like TVs or games consoles when you aren't using them could help to save money across the year.

Additional savings could be made by installing and fully utilising the features of a smart thermostat; the average installment cost is £215. The Energy Saving Trust estimates that a typical household could save £180 a year by using a smart thermostat so that your heating only comes on when you need it.

By identifying and plugging these "money leaks", you may be able to reduce your monthly expenses without having to slash spending on the things you enjoy.

GET IN TOUCH

If you're worried about the rising cost of living and would like to discuss ways to protect your finances from the effects of inflation and rising energy prices, we're here to help. Please get in touch to arrange a time to chat.

Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up repayments on your mortgage.

How to protect your mortgage

Strengthening your ability to keep up with mortgage payments is important and will give you some peace of mind if your circumstances change.

Life insurance is the form of protection most of us would name as one that could pay down or pay off a mortgage. Yet there are other situations (apart from death) that could mean it's very difficult or even impossible to keep up with mortgage payments for an extended period – without the help from other types of coverage.

Here are some protection policies you might want to have in place (alongside life insurance) to give your mortgage some security if you are unable to keep up with mortgage payments. Your adviser can help you work out the best option for your situation.

Critical illness protection pays out a one-off, lump sum if you're diagnosed with a critical condition or disability that is covered by your policy. It can be offered when you buy for life insurance, as extra coverage.

Income protection pays out a percentage of your monthly income if you are unable to work due to illness, an accident or disability. Depending on the terms, you'll receive a regular income until you either return to paid work, retire, pass away or if the policy term comes to an end.

Mortgage payment protection insurance (MPPI) pays your monthly mortgage payments if you're unable to make them due to an accident or illness.

What's the difference between income protection and MPPI?

Income protection insurance is seen as more comprehensive than MPPI as it covers a proportion of your income and not just your monthly mortgage payments. It could also help to cover monthly bills aside from your mortgage. The period you're protected with income protection tends to be longer than MPPI, too.

Your adviser will help you find a policy that works for you and your needs, in terms of the length of cover you want and how much the premium might be. MPPI premiums could be lower than those for income protection and more affordable.

Our advisers are here to help if you're looking for ways to protect your mortgage.

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