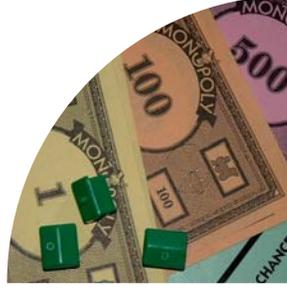


# THE COST OF LIVING YOUR FAMILY'S GUIDE TO MONEY



## **BEATING THE CREDIT CRUNCH**

You don't need to be a financial expert to know that times are a little tougher for families across the UK. In the twelve months to August 2008, petrol prices rose by more than 17p a litre, and diesel rocketed by more than 27p. At the same time, food prices – even for basics like bread and milk – have steadily gone up, while gas and electricity bills have gone through the roof.

With this kind of inflation, the cost of feeding, clothing, transporting and housing a family is heading skywards. Without a pay rise or some savings in the bank, all but the most carefully managed family finances could soon unravel.

But salaries are staying put as long as our employers also feel the pinch, and not everyone has savings to draw on – so how do you ride out the current climate and enjoy family life without getting yourself into debt?

That's the question we've set out to answer in this e-book. In the next five chapters we'll talk you through the finances of your home, car, borrowings and savings, holidays (well, everyone's got to relax), and the other bits and bobs that make up family life. For each, we examine the biggest costs families face, and the biggest savings they can make. There's advice, top tips, and examples of families who've made great money-saving changes.

### **How do you enjoy family life without getting into debt?**

True, it's not an easy time for family finances, but with a bit of careful budgeting, and the advice and examples contained in this e-book, we hope you'll beat the credit crunch, and be in even better shape when it's over.

# CHAPTER 2

## CAR



The price of petrol and diesel has risen by around a quarter over the past year, hitting drivers' wallets.

The hikes have come on the back of record oil prices, but there has recently been some good news for cost-conscious motorists, as oil prices have finally dropped a little. The wholesale cost of fuel to retailers has fallen, so they can now pass on the savings to motorists.

In the summer of 2008 some of the big supermarkets cut the price of fuel at the pumps by up to 5p per litre. There have been further cuts since, as the price of oil has continued to fall.

## FUEL EFFICIENCY

Fortunately, you don't have to depend on falling prices at the petrol pump to cut your costs. With a little careful planning it's possible to use less petrol on your journey and help the environment at the same time. Plan your routes before travelling and keep a close eye on the road ahead to avoid stopping unnecessarily when approaching lights or roundabouts.

The AA breakdown service advises giving your car a good clean-out before starting your journey. Extra weight gives the engine more work to do and uses more fuel. Take off your roof rack if you don't need it: it creates wind drag and adds to fuel consumption.

Try to combine errands such as buying the paper, dropping-off the recycling or collecting the kids into one trip. Unless you need to de-mist, don't start the engine until you're ready to go: you'll avoid unnecessary idling, and by driving away promptly you'll ensure that the engine warms up as quickly as possible – warm engines are more efficient.

### According to the Department for Transport, driving at 70mph uses up to 9% more fuel than driving at 60mph, and up to 15% more than at 50mph

Accelerate smoothly. We certainly wouldn't recommend breaking speed limits, but sticking to them will also cut fuel consumption. According to the Department for Transport, driving at 70mph uses up to 9% more fuel than driving at 60mph, and up to 15% more than at 50mph. Cruising at 80mph can use up to 25% more fuel than observing a 70mph speed limit. You'll use the least fuel possible by driving as slowly as is comfortable in your car's top gear, and by making sure your tyre pressures are correct – under-inflated tyres waste fuel.

## GO ONLINE FOR CHEAP FUEL

Find the cheapest petrol prices in your area by checking price-comparison web sites like [petrolprices.com](http://petrolprices.com). It's free to use; just register with the site, type in your postcode and how far you're willing to travel and you'll be shown the cheapest places to fill up your tank. Also keep an eye out for special promotions on fuel, particularly from the supermarkets. Big chains will often give you money off petrol – 5p a litre is common – if you spend a certain amount in their store.

## CAR INSURANCE

Insurance is another significant cost of running a car; there are three main types of cover.

13

**1** Third party is the minimum level of car insurance cover usually sold in the UK. It contains no cover for damage to your vehicle, but if you are in an accident it will insure you against injury caused to another person or damage to their property.

**2** Third party, fire and theft insurance protects you against loss or damage to your vehicle from fire, or theft of – and from – the vehicle.

Comprehensive cover, as the name suggests, is the most extensive policy. It extends third party, fire and theft insurance to cover accident damage to your

**3** own car. Comprehensive policies typically provide features such as personal accident benefits and a courtesy car while yours is being repaired.

Shop around. Compare prices between insurers, but don't forget to compare levels of cover, too.

## DRIVING DOWN YOUR INSURANCE COSTS

All insurers offer no-claims discounts, so not claiming for minor damage will keep the cost down when you come to renew your policy. The size

of discount varies but one year of no-claims usually saves around 30% in the first year – remember you'll need proof if you switch insurers at renewal. Having an accident that reduces your no-claims bonus could prove costly – if you've built up a full no-claims bonus, consider a policy with a protected no-claims discount.



Make sure you get quotes online and by phone, as internet quotes can be up to 10% cheaper than phone quotes.

**Shop around. Compare prices between insurers, but don't forget to compare levels of cover, too**

It's fine to go direct to insurance companies' websites, but you could also try price-comparison sites like **moneysupermarket.com**, **gocompare.com** and **confused.com**.

and advice communities like **moneysavingexpert.com**. Although remember, not all insurance companies offer their products through aggregator sites – so you do still need to shop around.

Buying car insurance direct from the insurer can often be quicker, but an insurance broker may be able to offer a wider range of quotes. You can also cut your costs by scrapping non-essential cover. For example, you might not need roadside breakdown assistance, although buying it with your insurance may prove cost-effective if you do.

# CASE STUDY

Heather and Simon have been members of a car share club for seven years. The couple sold their Volvo when their first child was two weeks old, finding it expensive to run a car and hard to find a parking space on their busy residential street.

“Often the car wouldn’t start because the battery had gone flat,” Heather recalls.

The couple say they were spending over £2,000 a year to run their car. They estimate that since becoming members of the **City Car Club in Bath**, they have saved around £8,000.

To use the communal cars, Heather and Simon log in online, choose the car they want to use, see if it’s available and book the time and day they want to use it. At other times they catch a bus, or combine travel and exercise by walking or cycling.

“You can also book cars over the phone, or directly from the car, via the onboard computer,” Heather says. “To access the vehicle each member has a smart card which, when waved over the sensor in the windscreen, unlocks the car. You then enter a unique code into the onboard computer which logs your rental details.”

Conveniently there is a share car parked in a residents’ parking zone close to the couple’s home. They get a modern car from the company, which services and cleans it regularly.

“We feel we’re doing our bit for the environment,” Heather adds. “Our kids are growing up with a less materialistic sense of how the world can work, and developing a good road sense – and we’re all fitter and healthier now!”



## DRIVING ABROAD

If you're planning to drive in Europe, don't assume that your car insurance policy will provide the same cover as it does in the UK. Always check to see what level of cover you have for foreign use. Don't forget to arrange European breakdown cover, either – getting stranded abroad is even worse than getting stranded in the UK. Many car breakdown companies and insurers can arrange European cover: shop around for the best combination of cover and price.

## INSURANCE FOR YOUNG DRIVERS

Young drivers are statistically more likely to have an accident and make an insurance claim. This generally makes insurance for 17- to 25-year-olds expensive – in some cases it can cost more than the car they are driving. But it's still possible to reduce premiums for young drivers. Consumer group **Which?** advises buying a car from a low-risk insurance group. It also advises enrolling in the PassPlus scheme, run by the **Driving Standards Agency** to help new drivers gain extra experience. In August 2008, the **IAM Motoring Trust** published a comprehensive safety advice booklet for young drivers.

Some insurers offer policies suited to young drivers. Ask several insurers or brokers whether they offer discounted premiums in return for a lower mileage, for example, or in exchange for not driving between 11pm and 6am. If your child doesn't drive your car very often – perhaps only when they're home from university – you may be able to add them to your insurance as a temporary driver for short periods, rather than taking out a policy for them.

## CAR-SHARING

Sharing a car can further cut your motoring costs. Lift-shares to the same destination can halve motoring costs, and significantly reduce your carbon footprint. The schemes put people making similar journeys in touch, to make use of the millions of empty car seats on our roads every day. For more information on lift-share schemes check out **Liftshare.org**. The free service helps members share a car and petrol costs, and currently has around 270,000 members. Liftshare says that a typical member saves an average of £1,000 a year in petrol costs.

## CYCLING

Getting on your bike is a lot cheaper than running a car, and better for you, too. And if you take advantage of the government's "cycle to work scheme" you could knock up to 50% off the cost of a new bike. The scheme, which is offered to staff by employers, allows you to pay for the bike free of income tax or national insurance over a period of a couple of years.

If you fancy saving money on a second-hand bike, make sure that you or a suitable expert gives it a proper check. Pay particular attention to the state of the brakes.





**WHEN DRIVING, CHANGE UP A GEAR  
AT 2,000 RPM (DIESEL) OR 2,500 RPM  
(PETROL) TO SAVE FUEL**

---

**USE AN ONLINE PRICE-COMPARISON  
SITE TO GET A BETTER DEAL ON  
YOUR CAR INSURANCE**

---

**USE A CAR-SHARING SCHEME  
TO CUT YOUR MOTORING COSTS  
FURTHER**

---

**SLASH YOUR COMMUTING COSTS  
- AND GET FIT - BY CYCLING  
INTO WORK**