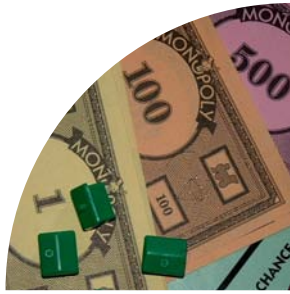


# THE COST OF LIVING

## 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 5

## ADDED EXTRAS

HOW TO REDUCE NON-ESSENTIAL  
FAMILY OUTGOINGS



**M**anaging a family budget can seem like a thankless task. Just when you think you've got your outgoings under control, along comes another hefty cost like an overseas school trip or a long-term commitment like helping your children through university.

However, with a bit of imagination, discipline and planning it is possible for your family to pull together and reduce its outgoings.

## KEEP A MONEY DIARY

One tip is to start a daily money diary listing everything you spend your money on – from a daily newspaper and latte, up to expensive items like the gas bill. At the end of the week work out how much you've spent and identify any areas where you can cut back. Encourage your children to keep a money diary and hold a competition each month to see who has cut their outgoings by the most.

“Knowing how much you have coming in and how much goes out will help you to be better organised,” says personal finance expert **Clare Evans**.

“Put a structure in place to help plan and organise your finances.”

Work out your monthly expenditure by gathering your bank statements, credit card bills, household bills and all other regular outgoings. Then list your sources of income – pay slips from full-time jobs and part-time work.

Use one of the free budget calculators on the web, such as the one on personal finance site **fool.co.uk**. It can be used as a personal budget planner, or to help assess your debt position.

## MANAGE YOUR MONEY

Set aside time each week to manage your family finance. “You only need a few minutes to sort through your receipts, pay any bills, file away invoices and statements,” Evans says. “Book time out in your diary – either on a Friday at the end of the week or perhaps at the weekend. Make it the same time each week and it's easier to do.”

Evans also advises people to go through their bank statements and credit card receipts once a month.

“Record all your income and outgoings as you go, so you know just what you're spending. A simple spreadsheet will do the trick. Once you get into the habit of regularly reviewing your finances this will probably only take an hour or so each month.”

An annual review of your finances is also a good idea. Examine all of your Direct Debits and standing orders, cancelling any that you no longer need, such as gym membership fees and magazine subscriptions. Check also that you're on the best value packages for telephones, broadband, television and so-on.

But don't try to do all this on your own. Educate your children about money and get them involved in your financial makeover.

Experienced financial adviser Martin Bamford, says: “The best way to manage a family's budget is to plan in advance and work together as a family. By involving the whole family in some aspects of your financial planning it is possible to make children and other family members aware of the cost of doing things.”

This is particularly important during school holidays when bored children demand expensive entertainment. Bamford says that parents should set a weekly budget for entertainment and other events. Your children can then understand the cost of different activities and make decisions about where this budget should be spent.

## CUT BACK ON LUXURIES

Finally, before you buy anything ask yourself whether it is essential.

Clare Evans advises that you don't buy anything unless you absolutely cannot live without it: "That means no spending on luxury goods. Think about everything you buy," she adds.

Identify those nice-to-have weekly expenses that can eat into your budget.

Eating out is a nice treat, but eating in is much cheaper, and cooking as a family can be fun. Making your own lunch, instead of relying on shops or cafes, could save you hundreds of pounds a year.

If you can't stand another evening in, sign up to restaurant loyalty offers that give you two-for-one or similar offers on meals during the week.




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**KEEP A MONEY DIARY OF EVERYTHING YOU SPEND THEN REVIEW IT AFTER A MONTH FOR POSSIBLE AREAS TO CUT OUTGOINGS**

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**SET ASIDE TIME TO REVIEW YOUR FINANCES AT THE END OF EACH WEEK AND MONTH**

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**EDUCATE YOUR KIDS ABOUT MONEY TO STRENGTHEN FAMILY FINANCES**

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**TRY TO BUY ONLY ESSENTIAL ITEMS - CUT BACK ON LUXURIES**

## CONCLUSION

We hope you've found the advice and information in this e-book useful. Of course, we can't cover everything, and everyone's personal circumstances are different, so you should consider getting professional advice before making any big changes that affect your family's finances.

Here are some independent sources of help and advice, but remember that your bank, insurance broker or mortgage advisor may also be able to help, and may be well-placed to understand your personal circumstances.

**[citizensadvice.org.uk](https://citizensadvice.org.uk)** - Citizens Advice, a charity offering general advice to individuals

**[unbiased.co.uk](https://unbiased.co.uk)** - Independent Financial Advisors, commercial financial advisors able to offer independent advice on all competing products

**[moneymadeclear.fsa.gov.uk](https://moneymadeclear.fsa.gov.uk)** - Money made clear, the Government's financial advice website

**[nationaldebtline.co.uk](https://nationaldebtline.co.uk)** - National Debtline, a charity-run independent debt advice service

**[cccs.co.uk](https://cccs.co.uk)** - Consumer Credit Counselling Service, a charity offering free advice and support to anyone worried about debt

**[ccwater.org.uk](https://ccwater.org.uk)** - Consumer Council for Water, the consumer water watchdog

Please note that the information contained in this e-book is inevitably brief and published on a general basis and changes in the law may occur subsequently. No liability is accepted for errors of fact or opinion it may contain. Specific professional advice should always be sought before applying the information to particular circumstances or specific problems.

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