

# Helping Your Family

The NFWI created this booklet and the Financial Services Authority  
paid for this work as part of the National Strategy for Financial Capability.

This booklet forms part of a series of five, written by the speakers at You and Your Money - A Conference on Personal Finance, held at Denman College in May 2008. The conference offered the opportunity to discover where to find advice, and how to keep track of finances, choose financial products, plan ahead, and stay informed about financial matters.

This booklet was written by Gill Hind.

This booklet was created by Denman College, and the Financial Services Authority paid for this work as part of the National Strategy for Financial Capability. We aim to give you general information to help you make financial decisions. The information does not constitute financial or other professional advice; for advice about your own circumstances, you should consult a professional adviser.

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# Financial Planning

Many people don't plan their finances. There are lots of excuses – 'It's too boring'; 'I haven't got the time'; 'Where to start?'; 'Tomorrow!'. The trouble with this approach is that only the immediate things– like renewing the car insurance – get dealt with. Things that will happen in the future – like retiring – aren't planned for at all.

There could be some unpleasant side effects from not taking the trouble to do a bit of financial planning:

- A hiccup turns into a crisis because there aren't any savings to deal with it
- Debts don't get paid off in time and penalties are incurred
- A bank account is overdrawn, direct debit or standing order refused, and heavy charges imposed
- People don't have insurance for when they can't work or to support their family if they died
- Opportunities missed because of a lack of funds – like not being able to start a business
- People don't have the income they would like in retirement
- Money is wasted because people don't have the best deals – such as getting a high interest rate on savings
- People buy the wrong products.

In the past employers often provided fringe benefits which covered things like extended sick pay and the state welfare system met people's needs sufficiently in an emergency. Now people are increasingly being expected to take care of themselves financially, so it becomes even more important to know how to go about it.

This booklet will get you started. If you feel that your affairs are so complex that you need professional advice, you should consult an Independent Financial Adviser. However, do it yourself and you will save yourself costs. Even if you do use an adviser, you still should have done some of this anyway so that you can understand their advice.



# How to do Financial Planning

It's very easy!

There are five basic steps:

**Step 1: identify and prioritise your financial needs** – the basic financial needs most people have in order of priority are:

- Get your debts under control
- Build up an emergency fund – this is to cope with the unexpected, like the car needing repairs
- Be able to replace income if you have to stop working – would you be able to cope financially if you were ill and couldn't work?
- Make sure your dependants could cope financially if you died
- Save for retirement
- Buy your own home – a common goal for a lot of people

It is likely that you will have other goals as well, depending on your life stage and circumstances. For example, you may be thinking about saving for your grandchildren or downsizing and using the spare money to supplement your income.

**Step 2: check your resources** – this involves knowing exactly how much income you have and what your outgoings are. It may mean that you need to make a budget to find out exactly what resources you have to meet your needs

**Step 3: review your plans** – once you know your resources you can decide whether your plans are realistic. If you don't have the resources you will need to adjust your plans

**Step 4: identify any suitable financial products** – you may need to buy financial products or services to help you meet your needs. For example, you may decide to take out life insurance to give your dependants security

**Step 5: decide when you will need to do this again** – you need to see whether you are on track to meet your goals. It's possible that over time your goals change anyway. Financial plans need reviewing at least every year.

# Scenario



Elizabeth lives in a small market town on the Essex/Suffolk border. She is 63 and retired from her job with the NHS when she reached 60. Unfortunately the life in retirement that she had always planned with her husband Bob hasn't materialised as he had a heart attack five years ago and sadly died.

Financially she manages very well on her NHS pension, the occupational pension she gets from Bob's employer, her state pension (based on Bob's contributions) and her part time job as a local GP's receptionist. She still lives in the four bed roomed house they bought all those years ago but is beginning to struggle with the work of keeping up the garden and the general maintenance.

Elizabeth has two children. Richard is 32, married to Julie with a son of 18 months and another child on the way, while Alison is 29 and still single. Richard works for the County Council in Environmental Health. He and

Julie bought their first house two years ago and are a short drive away so Elizabeth gets to see her grandchild fairly often. She worries about them. They seem to live hand to mouth and she knows that they are struggling to make ends meet on one salary. They still haven't managed to replace the bathroom or kitchen!

No need to worry about Alison – she has always had her head screwed on and is making a big success of teaching. She was made Head of Department at her large comprehensive last September! Alison is fed up with renting and wants to buy her own flat. She is saving hard for the deposit. She works in the Midlands and property seems cheaper where she is, but it means that she sees less of her mum than she would like.

# Financial Plans

## for Elizabeth, Richard and Alison

Elizabeth goes through the first step of the financial planning process for herself and looks at her basic financial needs. The list under 'other' is fairly long! She then looks at what she might suggest to Richard and Alison. Here are her notes:

	ELIZABETH	RICHARD	ALISON
Debts	Haven't got any!	I bet they've got debts beside the mortgage - but how could I talk to them about it?	She's never got into debt in her life
Emergency fund	<ul style="list-style-type: none"> <li>- I've got credit on my card</li> <li>- I've got those savings in the building society</li> </ul>	I don't think they've got any savings	I know she is saving hard for the deposit on a flat - she could use some of this money
Replace income	I've got my pensions as steady income	Maybe Richard is covered through his work - I wonder if it's enough?	I don't know what teacher's benefits she gets
Died	I haven't got any dependants	Richard needs to think about this with two children and a dependent wife	No dependants
Retirement	I'm retired!	I hope Richard is in the County Council scheme - I wonder what Julie did?	She's in the teacher's scheme
Own home	It's already paid for	OK?	She's saving hard - I wonder where she has her account? There are websites to help with choosing a mortgage
Other	<ul style="list-style-type: none"> <li>- saving for my grandchildren?</li> <li>- downsize?</li> <li>- equity release? - help Richard and Alison?</li> <li>- long term care?</li> <li>- health insurance?</li> <li>- funeral expenses?</li> </ul>	<ul style="list-style-type: none"> <li>- saving for the children?</li> <li>- home improvements?</li> </ul>	

Elizabeth's next step would be to look at her resources; this will help her to decide whether she can afford some of her plans. She also needs to consider whether she actually wants to do some of these things – does she really want to move?

# Useful Contacts

## Financial planning

To help you plan your finances see [www.moneymadeclear.fsa.gov.uk/tools/financial-health-check.html](http://www.moneymadeclear.fsa.gov.uk/tools/financial-health-check.html)

## Financial advice

See [www.moneymadeclear.fsa.gov.uk/guides/advice/getting\\_financial\\_advice\\_step\\_1.html](http://www.moneymadeclear.fsa.gov.uk/guides/advice/getting_financial_advice_step_1.html)

To find an IFA contact [www.unbiased.co.uk](http://www.unbiased.co.uk) or freephone 0800 085 3250.

To check that a firm is authorised go to [www.fsa.gov.uk/register](http://www.fsa.gov.uk/register) or tel 0845 606 1234

## Budget calculator

See [www.moneymadeclear.fsa.gov.uk/tools/tools.html](http://www.moneymadeclear.fsa.gov.uk/tools/tools.html)

## Debts

Try the debt test at [www.moneymadeclear.fsa.gov.uk/tools/debt\\_test.html](http://www.moneymadeclear.fsa.gov.uk/tools/debt_test.html)

For independent, free help and advice with debt problems contact:

- Citizens Advice Bureau [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk) or phone book
- For a list of legal advice centres in England and Wales and solicitors that take legal aid cases [www.communitylegaladvice.org.uk](http://www.communitylegaladvice.org.uk) tel 0845 345 4 345
- Consumer Credit Counselling Service [www.cccs.co.uk](http://www.cccs.co.uk), freephone 0800 138 1111
- National Debtline [www.nationaldebtline.org.uk](http://www.nationaldebtline.org.uk), freephone 0808 808 4000
- PayPlan [www.payplan.com](http://www.payplan.com), freephone 0800 917 7823

## Income when ill

Statutory Sick Pay, tax and benefits: see [www.direct.gov.uk](http://www.direct.gov.uk) (follow the links to Employment; Money, tax & benefits).

## Life insurance

To find an insurance broker contact: British Insurance Brokers Association (BIBA) [www.biba.org.uk](http://www.biba.org.uk) tel 0901 814 0015  
Association of British Insurers: [www.abi.org.uk](http://www.abi.org.uk), tel 020 7600 3333

## Retirement

For an estimate of the pension you might get from any pension contributions you make, use the calculator at [www.pensioncalculator.org.uk](http://www.pensioncalculator.org.uk)

The Pensions Advisory Service (TPAS): [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)  
Women & Pensions Helpline: 0845 600 0806

Pension Tracing Service  
[www.thepensionservice.gov.uk/atoz/atozdetailed/pensiontracing.asp](http://www.thepensionservice.gov.uk/atoz/atozdetailed/pensiontracing.asp)  
tel 0845 6002 537

## Own home

Compare mortgage deals using the FSA Comparative Tables: [www.fsa.gov.uk/tables](http://www.fsa.gov.uk/tables), tel 0845 606 1234

To find a mortgage broker: [www.mylocaladviser.com](http://www.mylocaladviser.com) or the phone book.

## Saving for children

- Child trust fund: [www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk)
- Saving & investing: [www.fsa.gov.uk/financial\\_capability/pgtm/parents/fmf/pdf/TRUST\\_FUND.pdf](http://www.fsa.gov.uk/financial_capability/pgtm/parents/fmf/pdf/TRUST_FUND.pdf)
- [www.moneymadeclear.fsa.gov.uk/pdfs/saving\\_and\\_investing.pdf](http://www.moneymadeclear.fsa.gov.uk/pdfs/saving_and_investing.pdf)
- National Savings and Investments: [www.nsandi.com](http://www.nsandi.com) tel 0845 964 5000
- Ethical Investment Research Services: [www.eiris.org](http://www.eiris.org)

## Taxation for older people

See: [www.litrg.org.uk/help/pensioners.cfm](http://www.litrg.org.uk/help/pensioners.cfm), helpline 0845 601 3321

## Personal finance websites

[www.fool.co.uk](http://www.fool.co.uk)  
[www.ft.com/yourmoney](http://www.ft.com/yourmoney)  
[www.moneyexpert.com](http://www.moneyexpert.com)  
[www.moneyextra.com](http://www.moneyextra.com)  
[www.moneyfacts.co.uk](http://www.moneyfacts.co.uk)  
[www.moneynet.co.uk](http://www.moneynet.co.uk)  
[www.moneysupermarket.com](http://www.moneysupermarket.com)  
[www.thisismoney.co.uk](http://www.thisismoney.co.uk)

# Other guides in the series



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