

7

new money rules

As the country reacts to the new Budget, perhaps it's also time to look at a different set of principles for managing our own finances this year. IWONA TOKC-WILDE reveals the new rules on how to save and spend, designed to help you and your family make those all-important financial decisions that'll keep you in the black

1 OLD RULE: Relying on pay rises or credit cards to fund next year's holiday

NEW RULE: Plan ahead for big expenses

If pay freezes and pay cuts mean you're unable to afford your usual family holiday, you have two options: boost your income, maybe by selling off things you don't need, or cut your spending, says Sarah Pennells, founder of savvywoman.co.uk. Not sure where to begin? Start with the non-essential spending you can cut back on without too much pain, recommends Ed Bowsheer, managing editor at lovemoney.com.



2 OLD RULE: Invest your spare cash and hope for the best

Many ISA (Individual Savings Accounts) providers offer good interest rates at the start of a new financial year but drop them after a year or two, says Sarah. Shop around for a better deal and transfer your ISA to a

company paying a better rate. But don't close down your old ISA or the interest you've earned will lose its tax-free status. Ask your ISA provider to arrange the transfer.

NEW RULE: Go compare!

3 OLD RULE: Saving for university is the smartest way to invest in your children's future

NEW RULE: Start a stakeholder pension for your child



Earning a degree doesn't guarantee success in life, whereas your child's pension pot will grow over the years, ensuring a degree of financial security later in life. If you can spare it, invest Child Benefit – the rate of which will stay the same for another two years – into your child's pension, says Graham Wilde, chartered tax adviser at TaxNetUK Ltd (taxnetuk.co.uk).

4 OLD RULE: Big online retailers offer the best bargains

NEW RULE: Spread your bargain-hunting net much wider

From 1 April online retailers such as HMV, Tesco and Amazon won't be allowed to offer

VAT-free prices on goods such as books, CDs and DVDs. This is bad news for consumers used to paying less, so they'll need to become savvier with their shopping, says Paul Nikkel, community manager at monitoring site HUKD (hotukdeals.com), where members share news of the best deals from the UK's biggest retailers, online and in-store. Check it out and you could reap the benefits.

6 OLD RULE: Investing in houses is a better bet than a pension

NEW RULE: Regular pension saving should be the basic pot for your future

Steve Webb, Minister for Pensions, has recently said that 11 million of us will live to be 100, yet we've never been saving less for our later lives. What if your employer doesn't provide a pension scheme? The good news is that from October, companies will have to start offering a pension scheme that they contribute to, and most employees will be automatically enrolled into it, says Sarah.



5 OLD RULE: A smaller, more efficient car will reduce your motoring costs

NEW RULE: Think about a car as something you can access rather than own

According to the RAC, the average driver paid almost £7,000 in motoring expenses in 2011 and we'll spend even more this year when petrol goes up by 3p a litre in August. Becoming a one-car family, joining an official car-sharing scheme or making an informal



arrangement with work colleagues could save you up to £1,000 a year, according to the national charity Carplus. Yes, it will take organisation and involve compromises along the way, but it is possible. Check out carshare.com to find other people covering the same route and arrange to share lifts, says Bowsheer.

7 OLD RULE: If you're made redundant, find another job

NEW RULE: Consider starting your own business

With rising unemployment, finding another job isn't guaranteed, says Sarah. So more women than ever go self-employed – a recent survey revealed a 12 per cent increase in female-run start-ups in 2011, with cleaning, beauty and hairdressing being the most popular trades women are moving into. Some businesses don't even need a lot of cash to get started, says Sarah. Think you need to borrow to get going? The Government's new National Loan Guarantee Scheme promises a one per cent borrowing rate cut for small businesses, says Graham.

