FH MANNING
FINANCIAL SERVICES

Just One Financial Thing

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Investing in You

In today's fast-paced world, managing personal finances can feel overwhelming. With so much information out there, it's easy to get lost in complex strategies and forget that sometimes, small changes can make a big difference.

"Small changes can make a big difference"

With my love of food and good health, and inspired by #JustOneThing from the late Michael Mosley and the practical wisdom of Tim Spector, I've put together a series of 20 simple, actionable steps that anyone can take to improve their financial health.

Whether you're just embarking on your financial journey or looking to fine-tune your existing habits, these tips are designed to help you build a more secure and prosperous future - #JustOneFinancialThing at a time.

#1

Starting with an easy one - make sure you have an emergency fund. Ideally this should be 6 months' salary, but we are going to start small, and let's just get an account opened if you haven't already. As we work through the series we will begin to work out how much you can afford to add to it, but just getting that account opened will be a great first step.

If you are time restricted, just do this with your existing bank. A separate account, earmarked for emergencies, will ring fence the money and avoid you dipping in to it at the end of the month. Ideally, if you can spare the time, open an account with another financial institution. That way it will be 'out of sight, out of mind' and will help you avoid spending that money.

#2

No. 2 in the series is to be organised. Whilst we are entering a paperless world, you will still have emails, documents, contracts and policy information.

Set up a virtual filing system to make it easy to find everything. This could be using a tool like Microsoft One Note, or just folders within your email system.

The most important thing is to stick with it, move documents so they are stored where you can find them, and remove old information you don't need anymore.

This is going to come in very useful as we move through the series as you are going to need this information to hand.

#3

Now you are organised, you will have access to the information you need for No. 3 of the series, where you can get a grip on your finances and be ready for whatever life might throw at you.

Work out who you owe and what interest you are paying. There are two schools of thought on repayment on debt:

→ Pay off the highest interest rate first - this will save you the most money in the long run. This is likely to be short term, unsecured debt, like pay day loans or credit cards, with any mortgage the cheapest form of debt.

→ Pay off the small debt first - this will reduce your outgoings the quickest and will allow you to re-direct that repayment to the next debt.

Whichever you choose, stick with it. We all accept that a mortgage (or rent) is a long term debt and I would not expect this process to make you debt free in the short term, but what it will do is put control of those debts in your hands, and you will have a plan.

#4

No. 4 in the series is less about you and more about protecting your loved ones. This is especially important if you have debts and/or a family.

There is no golden formula for how much life assurance you should have, but it should be at least enough to pay off the mortgage.

If you have children, you should also be thinking about how your partner will manage with just one income, whilst raising a family.

Life assurance is not just for young people either. We should all be thinking about what would happen to our loved ones if we are no longer here to support them.

Curious about life assurance? Watch here:
https://bit.ly/FHMPersonalProtection

#5

If you are following this series already, you have set up an emergency fund. No. 5 is to start adding money into this account using Round Up. If you haven't come across it before there are a range of banks and Apps you can use to round up spending on your debit card.

As an example if you spend a lot of time in coffee shops every time you spend £3.75 on your latte, the App will pop 25p into a savings account, it rounds any spending up to the next £. You'll be surprised at how this can build up.

When I first heard of this, a client was telling me that he had taken his family to a theme park on his round ups. You could do this, or you could transfer it on a regular basis into your emergency fund.

#6

For No. 6 we have to talk about 'Get rich quick' schemes. I don't necessarily means the pyramid style schemes that were around 20 years ago (although these should definitely still be avoided) but more the day to day 'clickbait' offers.

One which I am sure you are all aware of and is widely talked about is changing banks to get cash back. On the face of it, it looks good. It's simple to do, in fact the banking system does it for you, and you make 'free cash'. BUT, the consequences of this need to be considered. If you have a mortgage, or may need one in the future, the lender will look at your credit rating. Part of this is the length of time with your bank, a demonstration of credit worthiness. Regular changes, in their opinion, do not reflect well and therefore could have an impact of your ability to borrow. The same rules apply to 0%, or very low, credit card interest rates. Switching credit cards can be a good way to pay off debt, but it should be considered as a one off exercise. Worryingly I have also come across people borrowing on a 0% deal and investing the money. Again on the face of it, that looks great, but what if the investment goes wrong (past performance is not a guide to the future after all). Then you have a debt and less money to pay it off. And in the meantime it has also potentially impacted your credit score.

So the overall thought is, if it is too good to be true, it probably is, and think about the longer term consequences of short term decisions.

A couple of year ago I wrote a blog about why you don't want to win the lottery too!

#7

Whatever your age, one of the components of your eventual retirement will be the State Pension.

Now there may be an argument that my children (12 and 14) may not get one, but for the majority of people reading this, it will form the foundation of their retirement income. And this is why it is unbelievable the number of people we speak to who have no idea what their State Pension might be.

They know they have worked a lot and paid a substantial amount of National Insurance, but particularly for women who have had time off to raise a family, or anyone who has worked part time, they don't realise that they could still have accumulated credits during that time.

Checking it is easy and is something I would suggest everyone reading this should do. Our video box sets can tell you more.

Watch our video box set on the State Pension here:
https://bit.ly/FHMPension

#8

In No. 2 you were getting yourself organised. Armed with that information you can now start to make use of it for No.8 of the series, we are going to start with an easy one, check your regular subscriptions.

All banking apps allow you to see what direct debits and standing orders you pay. But when was the last time you checked them. Perhaps you have got a Netflix subscription you no longer use, an online (or paper) magazine that you never read or a gym membership you set up in January with the best of intentions. Or perhaps like me you set up an Amazon Subscribe & Save and now have a collection of shampoo bars, because it lasts longer than you thought!

Be honest with yourself, are you making use of it and is it good value for money? If the answer in no, cancel it. If you miss it in the future and know you can afford it, you can always re-schedule.

#9

No. 9 is going to get you thinking a little more long term. By now you have already checked your State Pension, but this is unlikely to be enough to live on when you stop work, and indeed it might not be available when you want to stop work, particularly for those 40 or below. At present the state pension age is 67 and increasing.

So you are going to need to work out how much is going to be enough. I often get asked by clients, 'How much will I need?' and my honest response is that I cannot answer that. It will be very much dependent on your lifestyle and goals.

The Retirement Living Standards research (https://bit.ly/FHMRLS) has created 3 tiers of retirement based on various types of expenditure; Minimum, Moderate and Comfortable. You can use these as a starting point for working out how much income you will need. You will use this later on in this series too.

#10

In No. 10 you are going to be thinking about your nearest and dearest again, and this time, who and how they will benefit when you are no longer here.

You will know by now that this series was inspired by the late Michael Mosley, who died suddenly whilst on holiday. He always came across as a well organised man who put family first. So I am sure he left his affairs in order.

Follow in his footsteps, as none of us know what the future holds. Take the time to write a Will. We know from experience with our clients that knowing what the wishes of the recently deceased were can be comforting at a time of distress. And whilst none of us expect it, disputes can happen when that person is no longer here, particularly if things aren't clear. We can put you in touch with a solicitor who can help, or our video box set can give you some tips.

Watch our full video box set on this topic here:
https://bit.ly/FHMWills

#11

Many of our clients have had a series of jobs over their careers and, perhaps like you, they have a stack of papers about various pensions they have. In reality they have no idea how much they are worth and if they are older pensions whether they have guarantees, limitations or protections built in.

So No. 11 is to find out what you have got now. You cannot build a plan for the future without understanding where you are.

There is a FREE service to help you (https://bit.ly/FHMFPD) or if you don't know where to start, we can help. We have experience of tracing old pensions with a great deal of success. Who knows what we might find.

If you are starting out in your career and been enrolled in a workplace pension, do take an interest in how much is being contributed and where it is being invested.

#12

Being scam aware is an important part of feeling financially secure. If you are busy running a business, bringing up a family, caring for loved ones or dealing with whatever life throws at you, you are more vulnerable to scammers.

The clever emails asking you to confirm your bank details are less frequent now, as the scammers using more advanced technology and more sophisticated ways to catch people off guard.

So No.12 in our series is to have a good grasp of how you might get caught out by a scam. We have a video boxset which you can watch to help you spot scams and what to do if you have any doubt about any offer being made.

It won't take long to register and watch, and it will help you to protect yourself. Please feel free to share the link below with anyone you think might find it useful.

For our video box sets on Scams follow this link: https://bit.ly/FHMScams

#13

No.13 is based on the experience of a client. He had been offered a great deal to buy a car, if it was taken on finance. With no repayment clauses it made sense to take out the finance with a view to paying it off quickly (perhaps even immediately from cash reserves, that's a tip for another day!) but was turned down.

This was someone of a more advanced age, with no mortgage, credit card or debts. He rang me to discuss the alternative options, the first step was to check his credit score.

This is something that most of us do not do. It transpired that he'd never had debt, he had no credit score, leaving lenders without a record to assess his creditworthiness. This is perhaps a rare instance, but we should all be aware of our credit rating and check it regularly. It could also highlight potential scams, where your address had been used by a third party.

So take 5 minutes to register with one of the free services and check your records are correct.

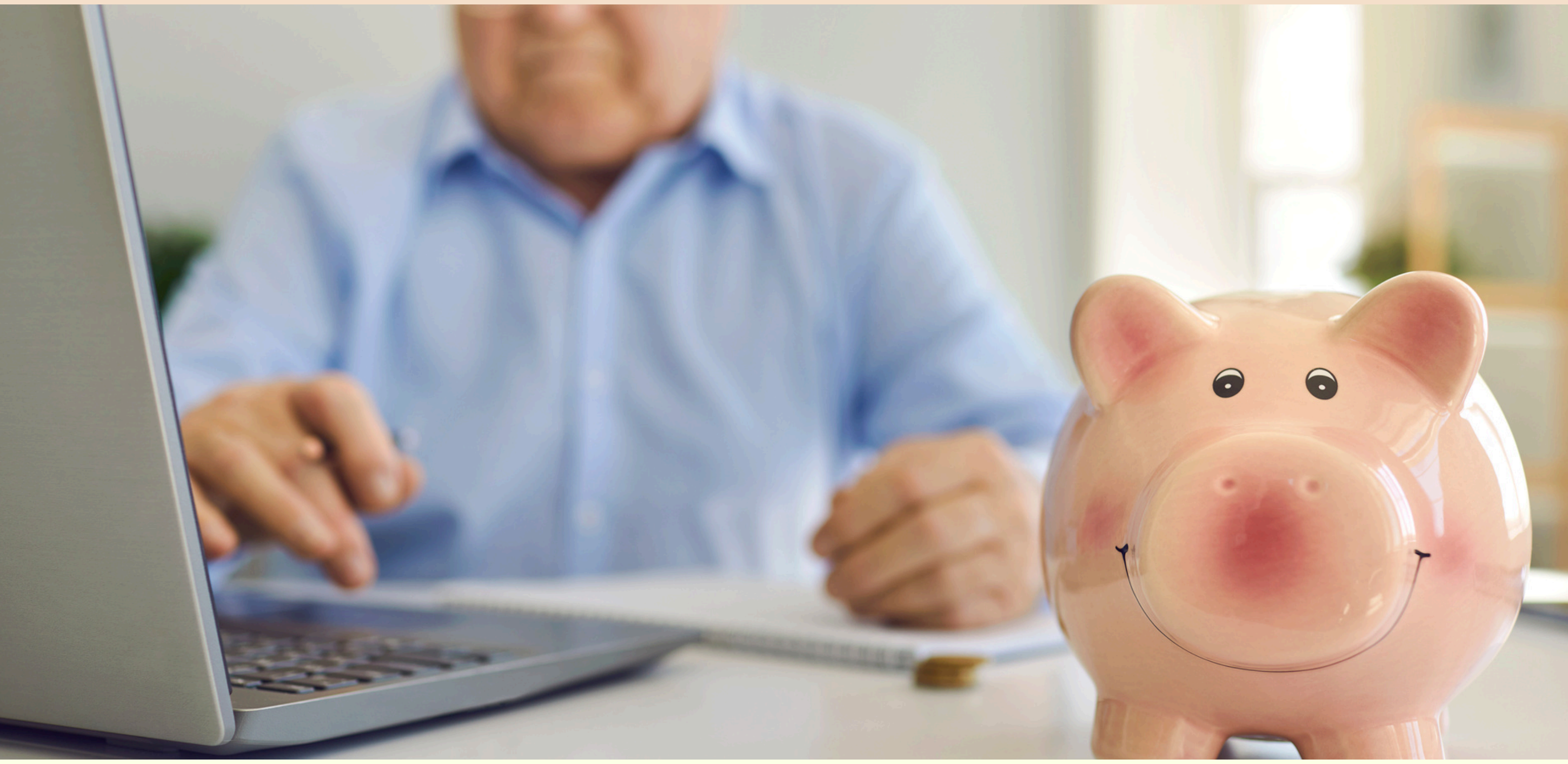
#14

No. 14 is something that we all know we should do, but many of us struggle to find the time for - check your renewals. It might be car insurance, building and contents insurance or your mobile phone contract. This applies to your personal contracts but also to your business contracts. It is a competitive market and there are people out there vying for your business.

This means that we have to be on high alert (if it looks too good to be true it probably is) but on the other hand when a policy is due for renewal do not be afraid to try and negotiate. There are some great comparison websites out there, but again remember that not everyone is on those and some of the greatest deals can be found by going direct.

And if you don't have time, make use of a broker. They are there to help you find the best deal - not just based on price but on finding the right policy for you.

#15



No. 11 in the series was to gather all the information on your old pensions. Once you know this, you will then be able to consider not only how much you might get in retirement but also how much extra you can put into pensions. If you have looked at the lifestyle you want from No. 9 in the series, then you can work out what shortfall you will have.

If you're fortunate enough to be able to make additional pension contributions, it could be worth exploring the option of backdating them. This can help ensure you've made full use of available allowances and potentially improve your retirement outlook. Our blog post, Can You Backdate Pension Contributions?, walks you through the key details.

Read our blog, Can You Backdate Pension Contributions?:
https://bit.ly/FHMPensionBlog

#16

Any kind of Financial Planning should take into consideration your age, and that is No. 16 in our series. Understanding where you are in your financial journey will guide your decision making.

The steps you take now will depend on whether you are at the start of your career and looking to buy your first house, starting a family and thinking about protecting them in the future, or at the peak of your career and thinking about when you could stop work.

These 5 main stages of financial life, each with different priorities, are covered in more detail on our website but we have summarised here. The ages are just as a guide as we all take a different journey through life.

1. Early career (in your 20's) - workplace pensions, saving for a deposit, budgeting

2. Building foundations (in your 30's) - finding the right mortgage, protecting those close to you

3. Lifestyle balancing - (in your 40's) spend now or save for later, setting up a business, taking more risk

4. Future Proofing - (in your 50's) How much will be enough, when will I be able to stop work, maximising allowances at the peak of earnings path

5. Enjoying the plans you set up (60+) - helping out younger family members, ensuring your money lasts.

#17

We often get asked about tax; how to understand whether the right amount is being paid, how to reduce it or how to protect assets from it in the future.

Each of these could be a tip in its own right, but the starting point is to ensure you are paying the correct amount now.

Initially, we all have a tax free allowance.

This is adjusted for a variety of different reasons (benefits in kind, state pensions, loss of personal allowance due to high earnings). This code is then passed on to your employer or pension provider to ensure any tax they deduct uses this code. If you are self employed this is used in your self assessment so forms the basis for all tax deductions in that tax year. If it’s not correct, or not applied correctly, then you could be faced with an unexpected tax bill from HMRC.

If you are unsure whether your code is correct we can connect you with an accountant who will be able to help.

#18

No. 18 is to save half of income increases to create emergency funds or nest egg. Hopefully, if you are employed, you are all fortunate enough to get an annual pay review. In recent times many have received inflation linked pay increases. Of course, when prices are rising like they have been, the increases hopefully cushion the blow of rising fuel, food and general household expenses.

I acknowledge that this tip is not always possible, but if you can, save half of your salary increase each month and spend half. If you do this every year you will gradually build up a regular savings amount and will find you have a sizeable emergency fund/nest egg for the future. If you can add this to an ISA or pension you will also benefit from the tax relief (although potentially lose the accessibility).

#19

We have already talked in our series about being organised. Knowing where to find information saves time and helps you to plan, but we have to also be prepared for something unexpected.

We are all very private when it comes to our finances, but it is sensible to let someone else know where you store important information. We have a few clients who keep a 'death journal', one place where details of all those little details are kept safely, just in case.

We are also regularly told not to share passwords etc, but if that means that no one knows how to log in to your emails or internet banking then this can cause a lot of distress at a time when those close to us are already dealing with a lot.

Of course, we should all keep information as safe and secure as possible, but if we just let one person that we trust know what to do, should something happen, then this is invaluable.

#20

Our last Just One Financial Thing is to understand what the future might look like. I appreciate this is not easy as there are many eventualities and variables. We use financial forecasting to try and understand what the future could look like, with a disclaimer things change and it could be wrong, but it is better than no plan at all.

As an example, many people pay into their workplace pensions but do not actually understand what this means when they stop work. Not many of us have the luxury of a final salary pension, where it was much clearer how much you would get as an income if you stayed with the same employer your whole working life. Our retirement is more tied to investment returns and we also change jobs more frequently, so the pension projections we do get don't give the full picture.

You may decide that a simple spreadsheet could be sufficient, with details of your current pensions, monthly contributions and other savings being compounded at a set rate of return to work out how much it could be worth at your anticipated retirement age. This can be compared to the retirement living standards from No. 9 to see if there is shortfall. You may however decide that a more sophisticated analysis is needed, with full financial forecasting. Whichever route you choose will help guide your future decision making.

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