

# Masterclass Six:

## Improving your current financial situation

Preparing your financial statement will allow you to take a clear look at all your income and outgoings. The next stage is to evaluate whether you could improve your financial situation in any way.

**By the end of this session you will have a better idea of ways in which you could increase your income and reduce your expenditure. This will enable you to take a long, hard look at your budget and see if there are any ways you could improve your situation-in some cases with very little effort.**

**It covers the following areas:**

- 1. Increasing your income**
- 2. Reducing your expenditure**
- 3. Points to remember**

# 1. Increasing your income

There are many ways you can increase your income, some of which could make a major difference to your financial situation. The key areas to consider are:

- a) Increasing your wage/salary
- b) Reviewing your tax situation
- c) Ensure you are claiming all the benefits you are entitled to
- d) Generating other income

## a) Increasing your wage/salary

Increasing your wage or salary is perhaps one of the more obvious ways of improving your financial situation. Sometimes it is so obvious it gets forgotten. Consider the following:

<b>National minimum wage</b>	Are you being paid the national minimum wage? From July 2007 this is <b>€8.65</b> an hour for an experienced adult employee (an employee who has an employment of any kind in any 2 years over the age of 18). If you are not earning at least this amount, you should speak to your employer as this is a legal requirement.
<b>Ask for a pay rise</b>	<p>People are often scared to do this, yet why not simply ask? The worst that can happen is they can say no. Ask your Manager for an appointment; prepare your points which should focus on your job role rather than “I need the money” and see what happens. It's just as difficult for an employer to say no, as it is for you to ask in the first place</p> <p>When thinking about how much to ask for, consider the rate of inflation and then ask for a figure above it e.g. inflation plus x%' rise, explaining that a pay rise at inflation will just keep you level and the x% is because you're now more experienced or more productive in your role.</p> <p>If you work in the public sector and have specified pay structures this may not be a possibility</p>
<b>Working overtime</b>	If it is available

## b) Reviewing your tax situation

<p><b>Check your tax code</b></p>	<ul style="list-style-type: none"> <li>• The rules covering tax can be very complicated and it can be easy to miss out on certain entitlements or overpay your tax.</li> <li>• Visit <a href="http://www.Revenue.ie">www.Revenue.ie</a> for more information and to ensure you have the right tax code, particularly if your circumstances have changed recently.</li> <li>• You may be able to claim tax relief for some work related expenses.</li> </ul>
<p><b>Family Income Supplement</b></p>	<ul style="list-style-type: none"> <li>▪ Family Income Supplement is a weekly tax free payment to people on low pay. You can be married or unmarried but you must have at least one child to qualify.</li> <li>▪ Visit <a href="http://www.welfare.ie">www.welfare.ie</a> to check if you are eligible to make a claim.</li> </ul>
<p><b>Tax relief and Tax credits</b></p>	<ul style="list-style-type: none"> <li>▪ Tax reliefs reduce the amount of tax that you have to pay. Your eligibility will depend on your personal circumstances. Examples are:             <ul style="list-style-type: none"> <li>○ One Parent Family Credit</li> <li>○ Rent tax credit</li> <li>○ Home carer's credit</li> </ul> </li> <li>▪ First time buyers can claim up to €10,000 per annum tax free</li> <li>▪ Visit <a href="http://www.revenue.ie">www.revenue.ie</a> for further information</li> </ul>

### c) Ensure you are claiming all the social welfare payments you are entitled to

Many people are in debt because they don't claim the social welfare payments they are entitled to. There are a range of different payments you may be entitled to depending on your circumstances.

There are 3 main types of payments:

- **Social insurance payments** are given to people who satisfy specific social insurance contribution conditions e.g. jobseekers benefit, illness benefit and maternity benefit.
- **Means tested payments** are designed for people who do not meet the requirements for a social insurance based payment e.g. someone who is unemployed applies for Jobseekers benefit but does not qualify because he or she has insufficient contributions. He/she would however be eligible to Jobseekers Allowance which is the means tested equivalent. Means tested means the amount you receive depends on how much income you already have coming in to your home.
- **Universal payments** are paid regardless of a person's income or social insurance record e.g. child benefit is available for everyone who has a child dependant living with them, irrespective of how much income they have coming in to their household.

If you are in one or more of the following categories may be eligible to apply for welfare payments:

- If you are pregnant or have dependent children.
- If you have a disability or illness
- If you are a carer, guardian, widow or widower
- If you are unemployed
- If you are retired or over 66 years of age
- If you are on a low income
- If you are a farmer.

Check the following table for a list of some of the main payments which are available.

<b>Benefits and eligibility</b>	
<b>Job seekers benefit</b>	This is a weekly payment to people who have lost their job and are covered by social insurance
<b>Job seekers allowance</b>	This is a means tested payment to people who are unemployed and looking for work
<b>Illness benefit</b>	(Previously called Disability benefit). This is a payment made to those people under 66 who are incapable of work because of illness.
<b>Invalidity Pension</b>	This is a social insurance payment that may be paid if you are incapable of work and getting Illness benefit for at least 12 months.
<b>Disability Allowance</b>	This is a weekly payment to people who have an injury, illness or disability which is expected to last more than a year.
<b>Carer's Allowance</b>	This is a means tested payment to people who are caring for an incapacitated person.
<b>Carer's Benefit</b>	This is a social insurance payment made to someone who gives up work in order to care for an incapacitated person.
<b>Child benefit</b>	You can claim this if you are the parent or guardian of a child under 16 (or 19 if the child is in full time education or has a disability). It is not means tested.
<b>Bereavement grants, Widowed parents grants and maternity benefits</b>	Other benefits such as these are available in the specified circumstances they describe.

### **Where to claim?**

If you wish to apply for a particular social welfare payment, you should contact your local social welfare office for an application form and an information leaflet. Alternatively you can access this link to the website on [www.welfare.ie](http://www.welfare.ie) Leaflets are available by ringing Locall 1890 20 23 25.

## d) Generating other income

There are lots of different ways you could boost your income. The following list includes some suggestions. However, this is not an exhaustive list and you will know yourself if you have skills or abilities for example that you could utilise to generate money such as creative skills which would enable you to design pictures, jewellery or flower arrangements; I.T skills which you could use to mend computers etc in your spare time or even household goods you could sell on internet sites or car boot sales. The possibilities are endless.

### **Take another part time job**

Examples are childminding, working in a bar or supermarket. Other possibilities are baby sitting, pet sitting or party planning.

**Note:** This may impact on your tax situation or your entitlement to benefits so you will need to check this out first. You will also need to inform your main employer that you have another job as it affects your working time rights.

**Ensure you are charging enough board or rent** to anyone living in your household such as grown-up children or other relatives living in your home.

There is no general guide for this-some people advocate 10% of their earnings but between €20 and €30 per week seems to be about average. They may resent it initially but you are actually giving them a good lesson in budgeting for the future.

### **Rent out a room in your home**

Before you do this, you need to check:

- if it will affect any welfare payments you are claiming
- if it will affect your tax position
- if you need your landlord or mortgage lender's permission to do this as your tenancy or mortgage agreement may not allow you to rent rooms out

### **Check if you have payment protection insurance**

Your mortgage or any other loans may be covered by payment protection insurance. You can claim on these policies if you have been made redundant or are off work due to illness.

### **Check if you are eligible for a local authority home improvement loans**

Your local authority will tell you if there are loans available, depending on your income and what repairs need doing in your home. Check with your

local authority for further details.

**Check if you are eligible for other forms of grant or payments**

1. There is a range of grants available for roof and wall insulation as well as boiler replacement. You can use the Self Home Survey on the SEI. Website [www.sei.ie](http://www.sei.ie) to identify areas in your home which could be improved to increase your energy efficiency. Certain areas of Ireland are also eligible for the Warmer Homes for insulation, draught proofing and energy efficient lighting.
2. The Supplementary Welfare Allowance is a weekly payment for people who have insufficient means or no income. Additional supplements are also available under the scheme for certain expenses you may not be able to meet, including emergency situations. These include:
  - Rent supplement
  - Mortgage interest supplement
  - Back to school clothing and footwear allowance
  - Diet supplement
  - Heating supplement
  - Exceptional needs payment
  - Urgent needs payment

Contact your Community Welfare Officer at your local Health Centre for further details

3. If you are over 66, you may be eligible for the Household Benefits Package which includes the Electricity or Natural Gas allowance, free TV licence and telephone Allowance depending on your income and if you are on certain social welfare payments (Over 70's receive this package irrespective of their income level).

## 2. Reducing your expenditure

Having completed your financial statement you may have already identified some immediate savings you can make. These can be quite shocking, particularly if they are quite small purchases but ones you buy on a regular basis.



That cup of coffee on your way into work each morning may not seem excessive at €2.50 but if you work it out over a working year, it costs you nearly €520; whilst making a cup at work can cost less than 10c for the ingredients (this equates to less than €25 per year).

Similarly buying sandwiches can add up to €700 a year, while making your own can cost less than €200 over a year.

**Imagine- just cutting out that coffee and sandwich saves you €1000 over the year.**

### Price comparison sites

There are a number of cost saving and price comparison sites available on the internet and for very little effort these sites can save you hundreds of euros in a matter of minutes. Checkout [www.compareireland.ie](http://www.compareireland.ie) or [www.compare.ie](http://www.compare.ie) for further details.

Some of the savings you can make are highlighted in the table below.

What to do	Typical annual savings
<b>Cut your household bills</b>	
<b>Gas and Electricity</b> It may be possible that there is a cheaper provider for utilities in your area. Bord Gais is now selling electricity and more utility companies are set to be opened up for further competition in the years ahead as a result of EU legislation. Also visit <a href="http://www.sei">www.sei</a> to take their Self Home Survey This will identify areas in your home which could be improved to increase your energy efficiency.	<b>up to 10% of your fuel bills</b>
<b>Food and toiletries Shopping</b> There are lots of hints and tips to consider when shopping. Remember - supermarkets try and tempt us to buy things we don't really need just by the layout of the store. By shopping online or at the very least sticking to a shopping list we can save hundreds of euros.	<b>€500</b>
<b>Home Phone &amp; Broadband</b> You should be paying no more than €20 per month for a basic phone and broadband package. Make sure you shop around to ensure you get	<b>€100</b>

the best possible deal.	
<p><b>Reduce your digital TV costs</b></p> <p>The average annual cost for satellite TV is between €30 and €68. There are a number of hints and tips you can use to cut this substantially:</p> <ol style="list-style-type: none"> <li>1. Consider which channels do you receive and do you actually watch all of them-if not reduce your package type.</li> <li>2. Consider switching to Freeview?</li> <li>3. Haggle with your existing provider to see if they can offer you a cheaper deal.</li> </ol>	<p><b>€150</b></p>
<p><b>Cut your insurance costs</b></p> <p>You can easily cut the costs of your:</p> <ul style="list-style-type: none"> <li>• Buildings insurance</li> <li>• Contents insurance</li> <li>• Breakdown cover</li> <li>• Car insurance</li> <li>• Life insurance</li> </ul> <p>Visit <a href="http://www.Irishmortgage.ie">www.Irishmortgage.ie</a> or lo-call 1850 444 474 who will do all the work for you by comparing prices and ensuring you get the best possible deal.</p> <p>If you would prefer to stay with your existing insurer you can haggle with them by telling them what price you have found as a result of your searches and ask them if they will match or even undercut the price-they can only say no!</p>	<p><b>Up to 50% off existing policies</b></p>
<b>Cut the cost of your debts</b>	
<p><b>Shift your credit cards to a cheaper provider</b></p> <p>There are lots of different credit card providers out there offering excellent deals. However if you are behind with your payments switching may not be a possibility for you at this time.</p> <p>Avoid making lots of applications at once as this will affect your credit record.</p> <p>If you are not behind in your payments the type of deal you should go far will depend on how quickly you may be able to pay off your balance. 0% deals are usually only preferable if you think you will be able to pay off your balance within a year-after that the rates are very high.</p>	<p><b>Up to €100 per €1,000 debt</b></p>
<p><b>Change your mortgage</b></p> <p>It may be possible to reduce your mortgage payments by changing your mortgage type or provider. As your mortgage usually represents a large proportion of your outgoings the savings can be huge. However this is a very specialist area and there are lots of different considerations to find the best mortgage type for your situation. Contact an independent financial advisor at <a href="http://www.Irishmortgage.ie">www.Irishmortgage.ie</a> or lo-call 1850 444 474 for further information.</p>	<p><b>€1000 per €100,000 owed</b></p>
<b>Cut your personal bills</b>	
<p><b>Mobile phone</b></p> <p>Do you really need a mobile as well as a landline-is it something you need or just want?</p> <p>You could consider switching to a pay as you go package-as a guide if you use less than 150 minutes of calls and 100 texts per month, pay as</p>	<p><b>€700</b></p>

<p>you go will work out cheaper. If you still feel a contract phone is the best option for you ensure you are with the cheapest provider and on the best tariff for your usage.</p>	
<p><b>Change your bank account</b> Traditionally we have tended to be very loyal to our banks and we don't think about changing-partly because we may think of the hassle in changing over all our direct debits and standing orders. However this can be done quite painlessly as the bank you are changing to will do all the work for you. Different banks offer different rates depending on whether you are constantly in credit, always overdrawn or a combination of the two. You could be getting either a 6% interest rate or a 0% overdraft just by shopping around.</p>	<p><b>€100-€500 per annum</b></p>
<p><b>Cut your transportation expenses</b></p>	
<p><b>Do you need a car?</b> Are all the vehicles in your household essential-expenditure can be reduced dramatically by selling a car if it is not necessary on a day-to-day basis? Alternatively you could consider exchanging your car for a smaller model with less cost in terms of insurance, tax and petrol consumption. (If your car was bought on a Hire Purchase agreement you will need to check the terms of this first).</p>	<p><b>€5000</b></p>
<p><b>Cheaper train and bus fares</b> By purchasing your train and bus ticket through work, you could save a bundle. See if your employer has signed up for this and if not, encourage them to do so.</p>	<p><b>€100- €300</b></p>
<p><b>Reducing petrol costs</b> With petrol prices escalating savings in this area can be significant. Shop around to find the cheapest petrol where you live. You can also save by paying with a fuel credit card. Also look out for supermarkets offering special deals.  You can also reduce your petrol costs by more efficient driving techniques as well as measures such as keeping your tyres inflated correctly, turning off the air-conditioning and filling up before your tank is totally empty.</p>	<p><b>€100</b></p>

### 3. Points to remember

- Set up a “spending diary” and keep a record as well as your receipts in the receipt envelope enclosed with the pack. This will ensure you keep control of your family’s finances. You may never have done this before, but it is extremely important to track how you and other members of your household are spending money.
- Keep a weekly total of your spending and ensure you keep within the budget that you have allocated for yourself under each section
- When you are thinking about buying something which is not essential, ask yourself “is this something I/we **need** or is it something I/we just **want**. It is absolutely no use buying an expensive TV or DVD player if you don’t have a house to watch it in!
- Circumstances can, and do change regularly so you need to review your situation often-preferably every three months but certainly every six months. If your personal circumstances change you should inform the Revenue, your local council or the Department of Social & Family Affairs as appropriate. It may be worthwhile for you to recheck your entitlement to welfare payments as eligibility criteria can change and you may be entitled to additional income.
- Set yourself a monthly challenge to reduce your spending in at least one area of your finances each month