

Maximise your Income

There are a whole range of welfare benefits and tax credits available, and many people miss out on receiving their entitlements. As Prospect's Money Advice Officer I can let you know of any benefits that you are entitled to, and help with application forms etc.

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Here's a quick summary of the main benefits and tax credits.

Working Tax Credit/ Child Tax Credit

This tops up your earned Income and is paid with your wages. Remember you do not need to have children to be eligible, and Single people can also qualify (25 or over, working 30 hours or more per week). Whether you qualify and how much you might receive depends on your Income. Your award will be increased if you have children, and 70% of registered child care costs will be paid.

Example 1: A 25 year old single man works 30 hours per week at £5.35 per hour. Their net wage after tax and insurance is £145.65. He would be eligible to receive an extra £44.62 WTC per week.

Example 2: Assuming the single man is now living with a partner and has a newborn child, a total of £135.38 in WTC and CTC per week would be paid to supplement earned income.

The lone parent advisor at the Social Security office can assist you with these.

Breathe-easy Budgeting

I know this sounds boring, but it can make it much easier to control your finances. It doesn't take long, and you don't have to be Gordon Brown to do it!

Whatever the source of your Income, if it is paid monthly then you are best to work out outgoings monthly too. Likewise for weekly etc.

Arrange to pay all your regular bills (rent, phone, council tax, electricity etc) weekly or monthly by contacting the companies. Most of us would struggle to pay a quarterly fuel bill or annual TV licence in one go, and you can receive discounts if you pay your bills by direct debit in this way.

Grab a sheet of A4 paper and draw a line vertically down the middle of the page. On the left hand side list all your sources of Income, wages, tax credits, child benefit etc.

On the right hand side list all your regular outgoings. Hopefully your income will be more than the outgoings, leaving a balance that is your disposable income. This you can spend or save as you please.

If your outgoings are more than your Income, then you'd best get advice. It may be possible to sort out your situation by reducing payments to any credit arrangements, or alternatively you may be missing out on some benefits or tax credits

A couple of examples of budgets are noted below.

Example 1 : example of balanced Budget

Couple aged 25 years old, one child aged 4 months. Mother carer for child, partner works full time

Income (weekly)

Wages £139.20
Tax Credits £135.38
Child Benefit £18.50

Outgoings (weekly)

Food etc £70.00
Rent £49.15
Council Tax £18.18
Gas/Electric £12.00
Phone/Mobile £15.00
House Insurance £1.50
TV licence £2.30
Baby Stuff £20.00
Petrol/Insurance etc £25.00
Clothing £20.00
Catalogue £10.00
Savings £5.00

Total Income

= £292.68

Total Outgoings

= £248.13

Disposable Income

= £44.55 per week

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Example 2 : example of overspent budget

Lone parent aged 21 with one child aged 1. Full time carer for child, in receipt of Income Support.

Income (weekly)	Outgoings (weekly)	Total Income
Income Support £59.15	Food etc £50.00	= £133.46
Child Tax Credit £56.21	Rent £Nil (paid by HB)	Total Outgoings
Child Benefit £18.10	Council Tax £4.33	= £142.83
	water rates only)	Weekly Overspend
	Gas/Electric £12.00	= £9.37
	House Insurance £1.50	
	Mobile £10.00	
	Clothing/Catalogue £20.00	
	Baby stuff £20.00	
	Social Fund Loan £7.50	
	Agent Loan £15.00	
	TV licence £2.50	

The solution to this overspend would probably be best met by having the payments to the loan agent and social fund loan reduced. Prospect's Money Advice Officer or CHAI etc could assist you with this process.

NB money management whilst on benefits is very hard going. All the more reason to make a budget to try and help reduce the risk of hardship.

Essential Insurance

House contents insurance

This is a must for everyone. It costs from as little as £4.00 per month, and will ensure that your belongings are covered against theft, accidental damage etc. Application forms for an insurance scheme aimed at Housing Association tenants are available at Prospect.

For such a tiny cost, you can have piece of mind if you are unlucky to suffer a break-in, burst pipe damage etc.

Remember Prospect have no liability for your household goods if they are water damaged or stolen etc.

Life Insurance

This is particularly wise for working households with dependant children.

Seek independent financial advice to get the best deal, and again this can be an affordable way to get some piece of mind.

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Start Saving!

If you can afford to, it's a great idea to put some money aside on a regular basis. This way you can build up a nice sum to meet any unforeseen emergencies, e.g. having to replace a washing machine etc. Better still you can use this for nice treats like a family holiday, without having to resort to taking on debts.

Capital Credit Union offer a great savings scheme, and you can contact them on 0845 634 9901

You are always best to shop around to find the best possible savings rate, or contact an Independent Financial Advisor (see yellow pages).

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Mastering Credit & Debt

Pretty much all of us use credit at some point or other. Mortgages, loans, catalogues, credit cards etc. If used sensibly, credit is a great way to pay for goods and services by easy instalments

Always only borrow what you know you can afford, as it is all too easy to get in too deep with borrowing. Don't panic if you do get into difficulties with debts, as there is always a way out. Seek advice from Prospect's Money Advice Officer or another agency, e.g. CHAI.

You may be refused credit even if you have no history of defaulted payments. No-one has a right to be guaranteed credit, and it is up to individual lenders to decide if they will grant to credit. You can obtain a copy of your credit report from www.experian.com, and correct any errors that may be found.

Types of Credit explained

Remember Prospect have a savings and loans scheme called Prospect Plus. See the section on the website to find out more. Capital Credit Union are another option, visit their site on capitalcreditunion.com.

Social Fund: You may qualify for a non repayable grant or interest free loan from the Social Security. Contact your local DSS for advice, or see our Money Advice Officer for assistance.

Credit Cards/Store cards: These give you a limit to spend depending on your income. You must pay back at least between 2-5% of the balance every month, and interest between 0.6 to 3% is charged each month.

Good Points: No interest is charged if you pay the full balance within a month. Goods bought with a credit card give you greater rights of refund if faulty etc. Some cards offer interest free period for 6 months or more, and you can move your balance around to take advantage of these. Can be convenient way to spread the costs for goods or services.

Bad Points: It is very easy to run up huge debts on credit cards, and if you only pay the minimum balance of 2% per month it could take a whole working life to pay back. For example a balance of £3000 paid at 2% (£60) per month on a standard credit card, would take 40 years to be paid off!

Summary: If you use a credit card, control your spending and pay as much more than the minimum balance every month that you can afford. Only have one credit card at any time. If you are using your credit card to withdraw cash on a regular basis just to get by, it is a sign that your finances are in need of a check-up.

NB Store cards: These work much like credit cards, but tend to charge much higher interest

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Catalogues: These allow you to order a variety of goods that will be delivered to your home. You normally repay the balance over a set period weekly or monthly, with various payment method options.

Good Points: For low income households these can sometimes be the only way to pay for clothing, and other essential household goods. They have a wide range of goods and a choice of repayment terms, and you don't have to leave the house to get your goods.

Bad Points: The goods are quite a lot more expensive than you would pay in the high street, and you can be charged high interest rates. It can be easy to take on too much debt and struggle with repayments.

Summary: If you use a catalogue, only have the one and restrict shopping for things you really need and can afford.

Personal Loans (Via Banks etc):

Loans typically from about £2000 to £25000 can be provided, repayable usually between 1-5 years. Loans can be obtained for pretty much any purpose, subject to credit status. Loans are repaid monthly via direct debit from your bank account. Interest rates range from around 7% apr, to 16%, but can be 30% apr or more if you have poor credit history.

Good points: These can be a very affordable form of long-term credit, and offer a wide range of repayment terms.

Bad Points: Interest rates can be high, and the longer the term the more you pay. You will be charged by your bank for any missed payments, and default charges for arrears can be high. Taking a loan over 3-5 years is a big commitment. You must make sure that you can afford such a long term repayment.

Summary: Make sure you need a loan and can afford it. Take advice before taking on a loan to pay off other debts (consolidation loan), as there may be cheaper alternatives.

Doorstep Agent Loans: Smaller cash loans, usually £100 to £500 repayable 6-12 months. These are paid weekly in cash to an agent calling at your home. Interest rates are very high, around 180%, so that a £300 loan payable over 12 months will cost around £500 to repay.

Good Points: No credit checks are done so most people can get a loan, usually arranged quickly for any purpose. No bank account required and convenient weekly cash payment via agent collection. No default charges, so you will not be penalised should you miss any payments. Suit households that need modest loan and prefer dealing in weekly cash payments., and who are likely to miss payments from time to time.

Bad Points: high interest makes these an expensive source of credit compared with Banks, Credit Unions etc. It can be easy to get into a cycle of taking out repeat loans this way, reducing your income on an ongoing basis.

Summary: An expensive type of credit, but may suit households working on weekly cash budgets and likely to default.

Overdrafts (via Banks): These allow you to spend beyond your actual bank balance within an agreed limit, usually between £100 to £500.00. Smaller sums can be interest free, but larger limits charge interest and sometimes arrangement fees.

Good Points: For short-term modest credit needs these can be the best deal, as they can be entirely interest free or at least low cost for credit.

Bad Points: Not suitable for long term as interest charges pile up. Also risk if you exceed agreed limit (unauthorised overdraft) when you will be charged daily by your bank, £10 per day or more on top of interest etc.

Summary: Best used occasionally for short-term small credit needs only.

Higher Purchase: This type of credit is often used to buy a car, but also some household goods are sold this way. Basically you take delivery of good purchased, and pay the balance and interest charges over an agreed period, much like a loan.

Unlike a loan, however, the goods don't belong to you until you have repaid the sum due in full. So if you take out higher purchase on a car for three years, it would be illegal to sell it until you had made the final payment.

Good Points: May allow someone with poor credit history to obtain finance not offered elsewhere.