

Your Self Help Guide to Money Management and Dealing with Debt



Money management problems can arise for a number of reasons – a change in circumstances such as reduced wages, reduced or removed overtime income or the loss of job of a member of the household. In the current environment more and more people are having difficulties managing their money. Aside from the recessionary environment, there are also other factors that can contribute to financial difficulty such as an illness, a relationship breakdown, increased expenditure or poor budgeting with simply not enough money to go around.

Financial difficulties can affect everyone from high-income earners to people on a low income, so if you are worried about money you are not alone. Whatever your circumstances money difficulties can affect people's health and overall wellbeing, if you are experiencing financial difficulty it's time to take action to improve your situation. The following guidance on how to manage your finances in difficult times may be useful in terms of you assessing and improving your financial circumstances.



Time for Change

A change in your circumstances can be a big shock to the system. It is likely to be a stressful time, but don't panic, there are ways of coping with the change and there are people to help. You will need to adjust your saving and spending habits to align with your new income. Facing up to the problem is probably the most important step you will take. Remember, no matter how difficult your situation is, more often than not debt problems can be resolved with time and effort.



Review your Finances

Carry out a financial health check to get a complete picture of your income, outgoings, savings and level of debt. You will need to list all of your regular / annual expenses (including outstanding loan and/or credit or store card balances) and then list your income (including any savings). A financial health check will give you a clear picture of your current situation and make it easier to identify where you need to make changes when you create / revise your ongoing budget. You may want to establish if there are any debts that can be repaid from savings, which will reduce your monthly expenditure. Credit and store cards, for example, can be very costly especially if you are only making minimum monthly repayments.

Work out your Budget

Use a budget planner (included in this guide) to work out your budget. Remember, a budget planner is for your own use, so be honest. It is important that you write down your real income and expenditure because you will need to determine your budget based on your income. How you manage your budget will determine how much you have left to repay your creditors or to put money aside for things you may need in the future. A budget will also help you to prioritise your spending and may assist you in identifying areas that you can decrease spending to help you to make the savings you need.

Budgeting is an important part of money management, allowing you to plan for not only regular bills and household expenses but also for holidays and special occasions. Preparing, and sticking to, a budget can also help you to cope with unexpected or emergency situations by having money put aside in case of that rainy day.

To prepare your budget you will need to list your regular bills / household expenses, loans, any personal or childcare expenses and any savings or pension contributions. You will then subtract this figure from your earnings (after tax) each month, which will give you a realistic indication of any surplus left for personal spending (entertainment / holidays / emergencies / etc). Remember when setting up your budget to try and keep it as simple and flexible as possible.



The goal of budgeting is to identify household income and expenditure, it is not to identify each individual purchase in advance, remember keep it simple. Try to group items together where possible rather than having individual items listed, entertainment for example might include drinks out, dining out, movies and theatre.

A budget should be flexible because expenditure will vary from month to month and as such the budget will need to be regularly reviewed to ensure that where certain items have gone over budget other items are correspondingly decreased.

Allocation guidelines

A number of guidelines exist for use when deciding how much money to allocate per budget item. Your past spending is one of the most useful guidelines, past statements (from credit cards, loan and savings accounts) and bills will be an extremely useful tool for estimating future spending. Let's take Bord Gáis for example, if you made payments totalling €795 to Bord Gáis during 2009 and an increase of 25% had been advised for 2010 then you would estimate spending of at least €993.75 based on the same usage for 2010. With regard to personal spending, keeping track of your expenses through receipts over the past month or so will be useful in estimating the following months' personal expenses.

Examine your Budget

If you see that you have a problem with your budget, for example you have more money going out than you have coming in, do not ignore this, there are things that you can do to improve your money management. Start by seeing if you can increase your income or decrease your expenses. People sometimes get themselves into debt because they are not receiving all the money they are entitled to. Make sure you are getting all of your tax relief benefits and (if unemployed, disabled, widowed, etc) your social welfare entitlements. The Revenue, Department of Social and Family Affairs and the Citizens Information Centre all have helpful websites that include information on what you can claim.

See below for information and suggestions on areas that might increase your income:

- **Tax:** Your local tax office can advise you about the credits you are entitled to given your circumstances. You can also get general information regarding tax credits from www.revenue.ie.
- **Social Welfare:** Your local Citizens Information Centre (CIC) can help you check that you are claiming all your entitlements whether you are working or not. You can also get information from the following websites: www.citizensinformation.ie or from the Departments own website www.welfare.ie.
- **Health Board Payments:** These payments are administered by Community Welfare Officers generally based in your local Health Centre or Clinic. For some of these payments you will need to meet certain conditions - again your local CIC can tell you what these are.
- **Back to Work Schemes:** You can get information on the various schemes through your local CIC or call their helpline at 1890 777 121 or visit the Department of Social and Family Affairs website www.welfare.ie.

You can also examine how your money is spent to see if there are any reductions you can make to your expenses. Try to identify areas of your spending where you could possibly cut back. With your budget planner in front of you, check if the following areas might help:

- Put a mark against payments that are unlikely to be reduced, for example your rent / mortgage. You may be able to negotiate lower mortgage payments but you will have to speak to your mortgage provider or a broker about this possibility.
- Look at bills or payments that could potentially be reduced by using less, for example electricity, gas or telephone costs could possibly be reduced. Save on your utility bills by turning off lights and other appliances when you are not using them. The Power of One website has numerous energy saving tips to help you cut costs (www.powerofone.ie).



- Shop around for cheaper insurance. Before you buy / renew your annual insurance policies (home / car / travel) check out the competition to see if you can get a better deal. Remember to check with Dubco also for insurance quotes or referral services for Credit Union discounts.
- Consider how you will budget for essential weekly spending on groceries, housekeeping, clothing, etc. You might find that keeping a daily spending diary for a short time is useful as it will give you a clear idea of where your money is going and where you might be able to economise. The National Consumer Agency website (www.consumerconnect.ie) provides a number of tips on shopping around for better deals. The website also has a program called The Economiser that will identify how your spending compares with the average. The program will also give you tips and advice on how to cut your spending and become a smarter consumer.
- Change your credit card usage. If your credit card balance is so high that you can only pay off the minimum each month, you should try to switch to a card with a low rate on balance transfer. Your monthly repayment will then go towards clearing the outstanding balance, and therefore the debt can be cleared much quicker - once you stop using the card. You could also consider applying for a short term personal loan to repay the outstanding card balance, which may save you money if the loan interest rate is less than the credit card rate. Leave your credit card at home to resist the temptation to spend, or cut it up if you can't resist temptation.
- Look at other items such as entertainment. While you might decide to make cutbacks here, do try to leave room for a social life for you and your family.

Dubco Budget Plan

The Dubco Budget Plan is a flexible payroll based facility for paying all recurring household bills and expenses. Dubco's Budget Plan helps ensure that you're never caught out by an unexpected expense, and

- facilitates a suitable method of payment for each recurring expense catered for (either by cheque, electronic transfer or direct debit)
- provides for larger annual expenses, such as car insurance as well as Christmas and holiday savings, in addition to standard recurring expenses, such as ESB and telephone for example

An overdraft facility is available with the Budget Plan, providing for changes in expense amounts. Quarterly statements are issued allowing members monitor their expenses and amendments can be made to budgeted amounts at any time. For members 60 and over (currently), there are no fees applied for the service, there is however interest applied where an account becomes overdrawn. Interest on the overall Budget Plan overdrawn balance is charged at a rate of 1% per month calculated on the daily overdrawn balance.

Availing of the Budget Plan for recurring bills may assist also with personal budgeting, in terms of grocery, entertainment or emergency spending; as members will be left with their net pay safe in the knowledge that the bulk of their household commitments have been addressed already.

Further examples of some of the items that may be included in the budget plan are:

- Electricity Supply (i.e. ESB / Bord Gáis)
- Fuel Supply (i.e. Bord Gáis / oil)
- Telephone
- Cable / Digital Television
- Television Licence
- Mortgage
- Mortgage Protection Policy
- Home Insurance
- Car Insurance
- Life Assurance
- Loan Repayment(s) to other Financial Institution(s)
- Local Authority Service Charges
- Car Tax
- Educational Expenses
- Club / Sports Fees

Assess and prioritise your Debt

Because any form of credit is a debt, most of us carry some form of debt. It may be a mortgage payment, a credit card or store card, a personal loan from a credit union, moneylender, bank or building society. Debts are only a problem if you are unable to keep up with the required payments. The most important thing to know about money problems is that ignoring them won't make them go away, and the longer you avoid the problem, the worse it gets.

Whatever level of debt you have, it is important to prioritise your debt. Your mortgage or rent payment, fuel and electricity are your first priorities. If some of your creditors are threatening legal action then they need to be addressed as soon as possible as the consequences of ignoring legal issues can be severe. Do not ignore creditors' letters or phone calls. Ignorance is not bliss, ignoring your creditors will affect your credit rating.

If you are making all of your payments regularly, but are feeling the pressure of a reduced income, prioritise your debts and try to pay off debts with the highest interest rate first. Doing this will save you money as you will pay less interest in the long run. For example, if you owe €3,000 on your credit card and €10,000 on a car loan and you have €5,000 in savings, it would make more sense to put some of your €5,000 savings into paying off your credit card debt rather than your car loan. This is because the interest rate on your credit card debt is likely to be much higher than the interest rate on your car loan, or the interest rate you are earning on your savings. It is also worth noting that some debts will be easier to pay off early without having to pay additional charges and fees. If you have a fixed term loan you may be unable to pay it off in full without having to pay the interest in full despite early repayment. Before using all of your savings to pay off your debts, you should think about whether you should keep some money for an emergency fund, to help you deal with unexpected events such as redundancy or large medical bills for example.



Dealing with Debt

If you have a number of debts that you cannot repay, you have four choices:

1. Ignore the problem
2. Contact the person or company you owe money to
3. Seek free advice from a money advice worker
4. Apply for bankruptcy

Ignoring the problem is never a good choice. If you ignore a debt problem, your problems could be increased by:

- Gas or electricity disconnection for non payment of bills
- Court action for possession of your house
- Court action that could lead to bankruptcy
- Being threatened with prison for non payment of a fine or other debt

It is advisable to talk to someone who can help you. Dubco may be able to help you or direct you to others who may be able to help you.

If you find yourself in financial difficulties, you should let us know as soon as possible. We will make an appointment to discuss your situation, the sooner this is done the easier it will be for us to try to find a solution. Remember, the more we know about your financial situation the more we may be able to help. Be open and transparent about your debts, income and outgoing expenses. We will do everything that we can to help you overcome your financial difficulties. This could include discussing a loan or changing the repayments on an existing loan or facilitating a Budget Plan to help you with ongoing expenses.

We can also help you get in touch with others who may be able to help you, by providing you with contact information such as Citizens Advice Bureau or for a money advice worker. See also the **Useful Contacts** section of this guide.

We congratulate all borrowers who are honouring their commitments and as we are extremely aware that member circumstances change, we urge members who are having difficulty with making their repayments to contact our Loan Team. All genuine cases will be dealt with compassionately, and in confidence, recognising the changed circumstances.

Get Organised

If you are in financial difficulty, contact those you owe money to and make an appointment to discuss your options. Be open and honest. It may help to explain your situation in writing and to bring this letter with you to your appointment.

In writing include:

- your account number or reference number
- explain why you are in financial difficulty
- state when you will be able to start payment and include the amount that you can afford to repay
- a copy of your current proof of income and most recent financial statements

You will need to start keeping records of all correspondence in relation to each of your debts. Keep copies of all of the letters and forms you send or receive. If you have a loan with your Credit Union it is important that you contact the Credit Union as soon as possible. You should try to deal with any letters received from creditors as ignoring them will only make the situation worse. The more open and transparent you are from the start the better.

Other information, including any of the following, should also be provided to support your case:

- letters you have received from your creditors or their solicitors
- recent Credit Union statements
- money lending books or statements
- statements of your rent, Bord Gáis, ESB, telephone or cable accounts
- bank statements and details of any other debts
- details of your income (your most recent payslip if you are working or your social welfare payment book or receipt from the post office if you are unemployed)
- car finance or mortgage agreements signed by you



Getting Help - Useful Contacts

These are some useful contacts that may help you to get the information you need to improve your financial situation.

Money Advice & Budgeting Service (MABS)

MABS is funded by the Department of Social and Family Affairs and is a free, confidential, independent and non-judgemental service for people in debt or at risk of getting into debt. There are 62 offices nationwide staffed by professional money advisers.

Telephone: 1890 283 438

Website: www.mabs.ie

Citizens Information Board

The Citizens Information Board is the national agency responsible for supporting the provision of information, advice and advocacy on social services and for the provision of the Money Advice and Budgeting Service. There are 250 offices nationwide.

The Citizens Information Board also runs two separate websites that provide information for those with financial difficulties. Each of the websites (www.losingyourjob.ie and www.keepingyourhome.ie) provide links to further information and answers to frequently asked questions.

Telephone: 1890 777 121

Website: www.citizensinformation.ie

Itsyourmoney.ie

Itsyourmoney.ie is a very useful website that is run by the National Consumer Agency. The site provides free, independent information to help individuals make informed decisions about personal finances. The site also provides useful tools to assist with money management, including cost comparisons and a budget planner.

Telephone: 1890 777 777

Website: www.itsyourmoney.ie

Revenue Commissioners

The core business of the Revenue Commissioners is the assessment and collection of taxes and duties. Your local tax office can advise you about the credits you are entitled to given your circumstances.

Telephone: 1890 333 425 (Dublin Regional PAYE - Employees)

Website: www.revenue.ie

Department of Social and Family Affairs

The Department of Social and Family Affairs has the responsibility for social welfare services in Ireland. The website contains information on benefits available and a list of social welfare local and branch offices by County, as well as contact details for each.

Telephone: 1890 662 244

Website: www.welfare.ie

National Consumer Agency (NCA)

The NCA aims to defend consumer interests by providing consumer information and education. In March 2010, the consumer financial services related information and education function previously under the responsibility of the Financial Regulator was transferred to the NCA.

Telephone: 1890 432 432

Website: www.consumerconnect.ie

Aware

Aware is a voluntary organisation that aims to assist the section of the population whose lives are affected by depression. Aware works to bring support to depression sufferers and their families, and to dispel the myths and misunderstandings of this devastating illness.

Telephone: 1890 303 302

Website: www.aware.ie

Here is an example of what a basic budget plan may look like. To change a weekly payment to monthly, multiply the payment by 52 and divide by 12. To change from monthly to weekly, multiply the payment by 12 and divide by 52.

	€ Weekly	€ Monthly	€ Annual
Income			
Your wages and your partners wages (net of tax)			
Social Welfare Benefits			
Child Benefits			
Pension			
Maintenance Payments			
Other			
Other			
Total A:			
Household Expenses			
Housekeeping / groceries			
Rent or mortgage payments			
Electricity (Bord Gáis / ESB)			
Home heating (Bord Gáis / oil)			
Telephone			
TV licence			
TV cable (NTL / SKY)			
Local charges			
Home insurance			
Health insurance			
Personal loan repayments			
Credit card repayments			
Credit union loan repayments			
Total B:			
Personal / Childcare expenses			
Clothing and footwear			
Childrens clothing and footwear			
Education fees			
Crèche / babysitter fees			
Christmas and occasions			
Holidays			
Club / sports fees			
Newspapers / magazines			
Toiletries / hair and beauty			
Drinks / meals out			
Cigarettes / tobacco			
Total C:			
Motoring expenses			
Car loan repayments / finance			
Car Insurance			
Car tax			
Petrol / diesel			
Service and repairs			
Total D:			
Investments / savings and life insurance			
Life assurance premiums			
Pension contributions			
Building society / credit union			
Other savings and investment			
Total E:			
Review of your total budget			
Total Income (Total A)			
Total Spending (Total B + C + D + E)			
Total Income less Total Spending			
Total:			