

My Money

Self-Coaching Guide

How can I manage my personal finances better?

How we manage our personal finances affects all aspects of our life. Money problems significantly affect our relationships, work, wellbeing, mental health, and much more. Good money management, therefore, benefits us in many important ways.

Here is a reminder of some basic, healthy guidance on how to manage our personal finances.

1) **Spending.** Spending can be divided into 'our needs' and 'our wants'. Our needs are our absolute necessities (e.g. food, housing, utility bills) – our essentials. Our wants are the things we like to buy if we have the money (e.g. entertainment, social life, holidays) – our non-essentials. The difference between the two comes down to our personal choices, preferences and priorities. Spending on our needs should take priority over our wants. We should spend money only when we are able to do so. Major purchases (e.g. car, house) may involve borrowing. Big investments are costly to replace so we should protect them (plus any other liabilities) through insurance (e.g. motor, home buildings/contents, health, holidays, pets). Beware of insurance with cheap premiums, inadequate cover, and big excesses.

2) **Budgeting.** Having a budget is the best way to plan our personal finances so we achieve what we want to achieve with our money, especially avoiding not spending what we don't have. It helps to manage the balance between our income (earnings, savings, gifts, etc.) and our outgoings (our essentials, non-essentials, savings, gifts, etc.) Also, it tells us if there is room to save some money on a regular basis, possibly through reducing some areas of our spending. All items of our personal finance should be included in our budget and we should be realistic and cautious in producing the estimates.

3) **Saving.** Saving is setting aside some of our money for future use. This could be for specific purchases (e.g. phone, car, holiday) or for contingencies – unexpected outgoings (e.g. car breakdown, sick pet) and unexpected events (e.g. equipment breakdown, illness, unemployment). We should try to save 10% of our income or as much as we can afford. One way to do this is when we get a salary rise, we use part of it as a regular saving. This lessens the impact saving has on our finances. Also, we should make the most use of tax-advantageous savings accounts (e.g. ISAs). Saving up to buy something saves us money long term because paying by cash is cheaper than paying by credit.

4) **Borrowing.** Borrowing is receiving money from someone else and agreeing to pay it back later with interest. Our ability to borrow includes: having an adequate deposit, getting a good interest rate (depends on size of deposit), and leaving some contingency. The higher the interest rate and the longer the loan, the more the loan costs. We should always pay off credit card bills in full every month. Paying off loans should be our priority over saving because it costs us more to borrow than to save. Pay off loans with any savings but leave some contingency if possible (e.g. several months' income). We should always be realistic about our ability to repay a loan before borrowing money.

Finally, our emotions should never determine our financial decisions. Always remember your budget, keep to it strictly, and justify all your financial decisions on the numbers. And when matters get complicated or debt could be a problem, seek help (sources of free financial advice are given overleaf).

"You must gain control over your money or the lack of it will forever control you." Dave Ramsey

More Information

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Sources of Free Financial Support

Although the reminder of some basic, healthy guidance given overleaf is helpful, it is extremely limited and only covers general situations. Managing our personal finances can get complicated, especially when it involves getting out of debt. Always seek expert advice as soon as possible. For investment and pensions advice you may need to speak to an Independent Financial Advisor (IFA).

Here are some sources of free financial advice:

[Citizens Advice Bureaux](#)

[CAP](#)

[MoneySavingExpert](#) (founded by Martin Lewis OBE)

[List of Independent Financial Advisor \(IFAs\)](#)

Endnote

It's easy to forget how easy it is to get into serious financial difficulties. So, if you are financially secure, consider giving what you can to help others for whom things have gone wrong. Giving to others has been shown to benefit not only the recipient's but also the giver's health and happiness, and it strengthens entire communities.

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