



Take A Deep Breath And Look At Your Finances

Isn't it high time we introduced an annual head-out-of-the-sand day, to plan our finances?

So, having agreed on the need for an annual hot date of reckoning, when the big day comes what should you do? Apply these top 10 tips to transform your situation:

1. Take stock of your finances

You need to understand what is going on. People with money problems share one trait, they are unaware of the true amount they owe; many cannot even come up with a 'ball park' sum!

Payplan, the free debt solutions company that works with Citizens Advice Bureaux and National Debtline, recognises that the most critical step towards solvency is daring to look.

Sit down with a pen and paper and work out how much you owe. Take account of all financial liabilities including deferred payments. Next, list your regular outgoings, including your mortgage, direct debits, loan repayments, hire purchase instalments and other routine sums.

Then list your incomings including wages, pensions, tax credits and interest on savings and investments. This will give you a good idea of your overall situation.

2. Draw up a budget

It is essential to consider your income and expenditure and apportion amounts for each section. Your budget is the road map for your finances and allows you to track progress.

You can tweak it as you go along but the golden rule is that over-expenditure in one area means cutting back in another.

3. Prioritise your debts

List your debts in terms of the interest rates that apply, with the highest at the top. Typically the cards that incur the higher rates of interest are store cards and, if you can face looking into it, you will soon discover the truth behind the mathematics of spending.

Bargains + interest = extravagances. (Don't beat yourself up, learn from it.) After meeting your mortgage you need to make paying off this sum your priority.

4. Consider a surge in credit card repayments.

By making minimum payments it will take a very long time to clear the debt. If you have any surplus income you should 'up' the payments to pay it off. It is worth cutting back drastically on your lifestyle, in the short term, to achieve this.

5. Consolidate with caution

Should you consolidate your debts with one large loan? This can be a very cost effective move but you have to be extremely cautious and disciplined.

Research shows that a high percentage of people who clear their debts with a consolidation loan, soon return to racking up debt on their credit cards, compounding their financial problems. If you consolidate your loans you need to disregard or cut up your credit cards.

6. Check your mortgage

One of the most effective ways of potentially reducing outgoings is via your mortgage. Lenders compete aggressively for your business, so make sure you have the best possible deal.

In your search for a better rate you need to consider the total costs. An agent might well find a fabulously low rate but with a hefty set-up cost.

You need to consult a whole of market broker with no arrangement fee, such as www.whoslending.co.uk

7. Massage your credit rating

Bound up with your mortgage is your credit rating. Improving your credit rating can open the door to a loan at a lower rate of interest.

You can do this by checking that you are on the electoral register and, if you are, that your details are up to date (visit www.aboutmyvote.co.uk for further details).

Make sure that you are not linked to anyone from your past with a poor record of repayments as this will prejudice your application. When you approach lenders for loans make sure that they initially give you a quotation rather than conduct a full blown search.

This is because you will be marked down for multiple searches as lenders fear you are overstretched.

8. Court your lenders

Lenders like pro-active customers who communicate with them and are often willing to adjust their terms.

If blips in your borrowing record can be easily explained (such as unexpected redundancy) do not hesitate to talk to your lender and reassure them about your new job.

9. Anticipate cash flow problems

If you foresee cash flow problems on the horizon you need to discuss the options as soon as possible. It is likely that a lender can recommend a solution, for example extending the term of your mortgage or switching products.

You may need to sell a car, forgo a holiday or let out a room. Your bargaining position is much stronger whilst you are still solvent. Seek advice from a CAB recommended debt solution company such as Payplan, who offer their services for free.

10. Feel uncomfortable about debt

Do not fall into the trap of thinking that debt is normal. It is entrapping and debilitating and you need to think in terms of getting rid of it as soon as possible.

The loans that buy your house and car (transport to work) are usually the only wise ones. It is rarely a good idea to extend your mortgage to finance the frivolities of everyday living.

This article was written by Payplan, a free debt management service. For further information about their services, visit [their website](#).

However, we recommend that if you need help and assistance with a problem, that you contact us at the Fund in the first instance.

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