ROUSE
INTELLIGENT FINANCIAL PLANNING

Ready for lift off?

Take control of your finances

As you prepare to launch yourself into the next dimension of life, here's how easy it can be to stay in control of your finances.

The key to avoid entering a financial black hole is knowing what's coming in and going out: income must be equal to, or greater than, expenditure.

That is: don't spend more than you've got – and it will be F.A.B.

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How much money do I have coming in?

You need to consider how much income you have from all sources, including any salary, interest on savings you hold or financial support from the government, parents, or maybe both - there is a wide range of income sources and, throughout life, you will likely have money coming in from more than one place.

Once you know where your money is coming from, being in control of that income is simply a matter of keeping a tally and, if necessary, ensuring you keep back the money that will be due in tax.

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Where does it go?

UFO (Unidentified Financial Outgoings)

Remember the first, and most simple, rule of successfully controlling your finances: **income must be equal to, or greater than, expenditure**.

A simple way of understanding your expenditure is to group expenses into one of four categories. These are:

- Basic expenditure
- Liabilities
- Savings
- Non-essential expenditure.

The tricky choice here is deciding what's basic and what's non-essential.

Ask yourself: **do I desire it or do I require it?**

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The debt invasion

How do you stay in control of your finances with debt?

Debt is scary stuff. But used properly it can open up opportunities that simply would not be available to you without it.

But the same question applies: do I desire it or do I require it?

If you decide the debt is necessary, consider whether it's affordable – without compromising your basic expenditure, other liabilities and savings.

If, in principle, the debt is affordable, compare the loans available, considering both the term and the annual percentage rate, to ensure you don't overpay for the debt.

Learn how to do the calculations yourself or find an online calculator, try **www.thisismoney.co.uk**.

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Build your defences

Understanding debt

Like income and expenditure, the key to staying in control with debt is to understand it. Before you take on a debt you must understand:

- **the cost of servicing the debt.**
- **the impact that the cost of the debt will have on your life and for how long it will last.**
- **the consequences of missing a payment – what will happen if you stop paying back the money you owe.**

1

Credit agencies and the information they share

All credit providers share information. Every application you make for credit, whether you are accepted or refused, every repayment made (or missed) and any default is recorded and available for anyone to see any time you make an application for credit. And they look, whether you are taking out a mobile phone contract, a credit card, a medium-term bank loan or a mortgage.

If you have a poor credit rating it will affect your ability to secure credit for a long time. So, before you take out any kind of loan or credit agreement, it's important to ensure you understand everything about the commitment you are making. Otherwise you could be aborting the mission before lift off.

The rules for successful financial planning are simple and they are the same whether you are a multi-millionaire earning tens of thousands of pounds a week or a student with no savings and a part-time job in a restaurant.

- **keep a close eye on your income and expenditure**
- **save regularly**
- **understand that debt, used properly, can help you stay in control.**

Jargon buster

We've prepared a handy jargon buster incase some of the terms that we've used are sounding a little like Klingon!

Income: all the money you have coming in, from all sources.

Expenditure: what you use your money for; what you spend it on.

Liabilities: what you have to pay eg phone contract, rent/mortgage, utility bills, credit card payments or other loans.

Basic expenditure: what you need to buy to live eg food, clothes, household goods.

Non-essential expenditure: entertainment, holidays, clothes you want rather than need.

Interest: extra money that's added to your existing money if it's in a savings account. If it's applied to the money you owe on a credit card or loan it's extra money you have to pay out.

Term: the length of time over which you have to re-pay a loan, mortgage, phone contract etc.

Annual percentage rate (APR): the annual rate that you're charged for borrowing, shown as a single percentage number that represents the actual cost of the fund over the term of the loan; it includes any associated fees or additional costs.

Credit provider: anyone who is lending you money.

Default: missing a payment, which essentially means you've broken the contract between you and the provider.

Medium-term bank loan: a loan of between one and five years.

Credit rating: the recorded information that shows how good (or not) you are at managing your money.

You are not alone!

Got a question? Email us at **launchpad@rouseltd.co.uk**

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Guiding you every step of the way

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