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Is your spending out of control?

Tips to balance income and outgoings

As Mr Micawber, in ‘David Copperfield’, might have declared “Annual income £20, annual expenditure £19.99, result happiness. Annual income £20, annual expenditure

£20.01, result misery.” How do we achieve the halcyon state of keeping expenditure within income?

First, there are the basics, which include careful budgeting. This can be

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Totals
Your costs													
Rent													
Electricity													
Gas													
Water													
Rates													
Laundrette													
Travel													
Food													
Insurance													
Books													
Entertainment													
Clothes													
Your car													
Maintenance													
Road tax													
Insurance													
Petrol													
AA/RAC													
Other													
Total expenses													
Income													
Net position													

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achieved by estimating the cost of living during the year, in particular, the cost of living away from home.

Calculating the cost

Prepare a budget planner, (see example opposite). Does the grand total tally both down for the items of expenditure and across for the months? If not rework the figures.

Having worked the figures out, does the total fall within your known income for the year? If yes, fine; if no — how is the gap to be bridged?

Bridging the gap (and finding the money in the first place)

Option 1 Family gifts of money (by far the cheapest and the best option!)

Option 2 Working, perhaps a part-time job during term-time and in vacations. A better option could be working during a “gap year” to accrue savings on which to live for a given period.

Option 3 The student loan. The amount you will receive depends on:

- ▶ The length of your course
- ▶ The course you are studying
- ▶ The year of the course you are on

- ▶ Where you live and where you are studying
 - ▶ How much you and your family are expected to contribute
- Of the maximum loan available, 75 per cent does not depend on you or your family’s income. As a guide, the details below show the highest amounts available to students in 2002.

- ▶ Students studying in London — full year £4,700, final year £4,075
- ▶ Students studying elsewhere — full year £3,815, final year £3,310
- ▶ Students living in their parents’ home — full year £3,020, final year £2,635

For more information, please contact:

- ▶ The Student Loans Company on 0800 40 50 10 or at www.slc.co.uk
- ▶ The Department for Education and Skills on 0800 731 71 33 or www.dfes.gov.uk.

Make your money go further

- ▶ Use a notebook to record everything you spend money on, even that last bar of chocolate or half pint of beer. It can be shocking and tedious, but helps to control the budget.
- ▶ Stick to your weekly budget, which means monitoring carefully the daily budget.

- ▶ Bank online to check your bank account daily, rather than waiting for that monthly statement.
- ▶ Never go over an agreed overdraft facility with a bank, as the penalties are hideously high (eg, about £30 to return a cheque or direct debit unpaid).
- ▶ Buy second-hand text books where possible, affordable bed linen from the likes of Ikea, electrical appliances, eg, kettles and toasters from discount stores and clothes from charity shops. Fruit and vegetables are cheapest from markets late on Saturday afternoon; share the catering because “group cooking” is more economical per head than catering for one. If this is not an option, consider cooking larger quantities at one go and freezing extra portions for use later. Buy economy brands from the supermarket.
- ▶ Pay regular monthly bills by standing order or direct debit to help control expenditure.
- ▶ If renting a flat or house, ensure the utilities are metered and paid for monthly rather than coin operated, which is a much more expensive method of payment (the tariffs are different). Is there scope for more sub-letting without affecting the terms of your lease?
- ▶ Do you really need that car? Selling it could be both cheaper for you and better for your health (just think of all that walking you could do).
- ▶ If you have a mobile phone, pay as you go rather than clocking up large bills and ask your family and kind friends to call you. Make calls at cheaper times.
- ▶ Claim all the discounts you can (eg, a student rail card and anything covered by your NUS card).
- ▶ If you are employed, check to see if you are exempt from tax on your earnings. If so, complete a form P38(s) so that tax is not deducted from your earnings.
- ▶ If you have a savings account make sure you receive interest gross by completing a form R85.

Managing your bank account

Choosing the right bank is one of the most important decisions to be made in your first year as a student. The control

finance

Features and benefits	Abbey	Bank of Scotland	Barclays	HSBC	LloydsTSB	NatWest	Royal Bank of Scotland
Current account	■	■	■	■	■	■	■
Interest free overdraft allowance	■ See below	■	■ £200 immediate. Figures below up to £3,000 at a preferential interest rate	■ Interest free to limit in year 1	■ Free banking within agreed overdraft limit	■ Free up to £2,000 by arrangement	■ Up to £2,000 available, depending on year of study you are in, until June end of year following graduation
Year 1	Max £1,000	Max £1,250	£1,000	£1,000	Max £1,000	See above	See above
Year 2	Max £1,250	Max £1,400	£1,250		Max £1,250	See above	See above
Year 3	Max £1,500	Max £1,600	£1,500		Max £1,500	See above	See above
Year 4	Max £1,800	Max £1,800	£1,500		Max £2,000	See above	See above
Year 5	Max £1,800	Max £2,000	£1,500		Max £2,000	See above	See above
Plastic cards	Multi function card including £100 cheque guarantee card, visa debit card and cash machine card	Multi function card including free cheque, debit and cash facilities and/or classic visa credit card, no annual fee, £500 guaranteed credit limit. Min 5% of balance to be repaid monthly	Multi function card — debit, cash and cheque guarantee card all in one £600 limit on Barclaycard	Debit and credit card	Electron or debit card and/or credit card	Service card with Switch and student credit card with no annual fee	Fee free credit card
Access to student adviser	■	■	■	■	■	■	■
Travel facilities	Commission free travel money	Competitive rates	Commission free travel money	Discounted commission	Commission free		Commission free travel money
"Freebies"			£20 worth of Waterstones*/HM* vouchers when you open account with £500. Apply at same time for student Barclaycard and get extra £30 of vouchers. Additional 15% off purchases here * when paying with Barclays Connect or Student Barclaycard	Free prize draw to win £3,600 National Express Coachcard. 10% off RRP at Blackwell's online. Opportunity to buy a mobile phone package at "Dial a Phone"		Range of discounts off CDs, DVDs videos, audio and computer games, books, concert tickets, night club entrance fees	
Graduate facilities	Offered	Offered	Offers a graduate package	Offered including graduate loans	Offered including graduate loan of up to £10,000	Offered	Offered
Postgraduate facilities	Retain all student account facilities, including an interest free overdraft facility of £1,800 for each year of study.					Offered	
Phone banking		■			■		■
Internet banking			■	■	■		■
TV banking				■			
Insurance of belongings						■	■

Bank account features for students as detailed on the websites of the various banks in October 2003. Please note that the list shown may not be comprehensive, for full terms and conditions please refer to individual banks.

exercised by the bank and your control should be complementary.

The incentives offered by banks vary from year to year and between one institution and another. A typical package on offer to students is:

- ▶ Interest free overdrafts starting at about £1,250 for the first year and going up to £2,000 with no overdraft fees, subject to certain conditions
- ▶ A fee free credit card
- ▶ Free withdrawals from a wide geographical spread of cash machines
- ▶ A combined cheque guarantee and debit card
- ▶ All in one banking through internet and telephone banking services, 24 hours a day
- ▶ Transfers between accounts held in that bank (said to be ideal for parents transferring money into an offspring's account!)

Other benefits include discounts on books, travel cards.

Benefits from the use of the bank's credit card include:

- ▶ No annual fee
- ▶ Up to 56 days' interest free credit on purchases
- ▶ A favourable APR on purchases
- ▶ A favourable credit limit
- ▶ Small monthly repayments

The message is clear:

- ▶ Do not accept the first offer you receive
- ▶ Ensure that you compare like with like
- ▶ Do not be ensnared by the offer of free gifts
- ▶ Evaluate each package as a whole
- ▶ Compare overdraft terms carefully
- ▶ Look at the initial amounts offered
- ▶ Do the amounts increase?
- ▶ Over what period and by how much?
- ▶ What, if any, rates of interest will you be charged?
- ▶ Are there any circumstances in which you might be required to reduce or repay the overdraft?

Be sure to ask what will be expected of you when you cease to be a student. Can you expect to be able to open a different

type of account? What will be the relationship between your new account and the student account? Does the bank offer an intermediate account, eg, a "graduate account", during the period when you might be completing your professional studies?

To help you assess the best bank to meet your financial needs a chart laying out key features and benefits of a range of banks is opposite.

The future

The average outstanding student debt, on graduation this year, is estimated to be about £12,000. It is thought the figure will be nearer to £20,000 by 2005. Clearly, these are large liabilities; however, they have to be balanced against the benefit to the individual of having undertaken a degree course. Nevertheless, if there are opportunities to keep the debt to the absolute minimum (ie, much less than £20,000 in 2005) these should be pursued vigorously. This is because £20,000 repaid at the standard student loan rate, for some one earning £25,000, will take about 20 years.

If you are shortly to graduate, congratulations! However you will probably have debts, so what can be done?

Budgeting remains relevant. Have you any idea what your income and expenditure will be, excluding loans? If not, now is the time to sit down and work it out.

As always, while loans should be cleared quickly, more important is "affordability". Loans should be arranged with comfortably affordable repayments, ie, not "scrimping and scraping". It is most sensible to set repayments at the lowest figure possible to ensure credit cards are not relied on to cover a shortfall in monthly income, month by month. The other "trick" having done this, is to ask the lender, just out of interest, what the repayments would be if you were to repay the debt say 20 per cent more quickly. Then, as soon as the loan is set up (on the lower figure) save the difference between the lowest sum and higher figure. If you find you can keep saving the higher figure, great, you can

always pay the debt off earlier. Or you could use the money saved for a deposit on a flat or a house.

When negotiating your new graduate loan to clear the debts, remember to include a deposit on a flat or house if renting and funds to buy some clothes for your new job — if you do not possess cash for these items. ✂

Useful websites

- ▶ www.abbey.com Abbey
- ▶ www.bankofscotland.com Bank of Scotland
- ▶ www.barclays.com Barclays
- ▶ www.hsbc.com HSBC
- ▶ www.lloydstsb.com LloydsTSB
- ▶ www.natwest.com Nat West
- ▶ www.rbs.co.uk Royal Bank of Scotland
- ▶ www.bbc.co.uk/radio1/onelife the BBC's student help site
- ▶ www.counselling.cam.ac.uk Cambridge university's counselling site which contains some useful advice
- ▶ www.nhsdirect.nhs.uk medical advice from the NHS
- ▶ www.citizensadvice.org.uk help from the Citizens Advice Bureau.