

# **Financial Resolution 2021:** **Beat Your Money Woes**



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## Preface

2020 has been a rocky road for all of us. Be it in terms of health or finances, we've had a pretty rough year. Perhaps the only bright side to the pandemic is the fact that it has turned Britain into a Nation of Savers. The onset of the pandemic has certainly humbled us more ways than one could fathom.

While the pandemic helped us introspect our inner selves, it also coaxed us to assess our financial standing. Most of us lost our jobs and some got furloughed, owing to the pandemic. It is fair to say that we could have tackled this financial turmoil better, had we made careful financial decisions. Savings are a key component in money management, and yet, over 40% of the Brits don't have sufficient savings to last them for a month with no income. Where almost 1 in every 3 people has savings of less than £1500, there are 9.05% who've got no savings at all. Most of us normally overlook the importance of planning a financial strategy ahead of time. But the alarming aftermath of Covid-19 is a wakeup call, urging us to realise the gravity of the situation.

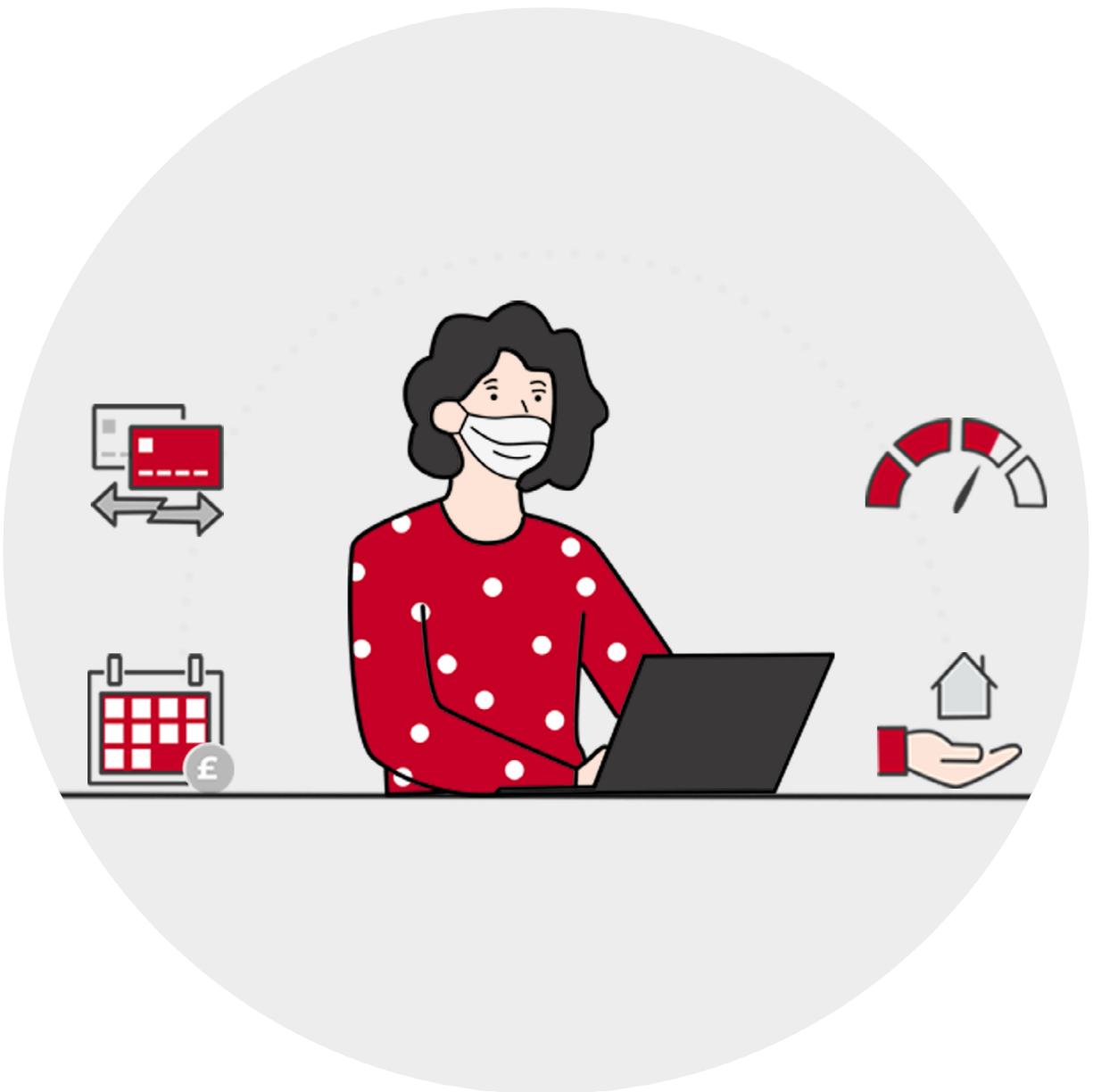
We all make resolutions every year, but how many of us actually fulfil them? We know this year is going to be different because of how gravely COVID-19 impacted us. 2020 washed ashore a series of unfortunate events. But let's approach the next year with an optimistic view. We went through a phase when we had little to no income for months together. Somewhere deep down, this did scar our. While those days will haunt us, we'll try to compensate them by making better life decisions, more importantly, better financial strategies. We've seen what a struggle life is when you have insufficient funds. Thus, one crucial resolution for 2021, will be to create an emergency fund. Emergencies are unprecedented, and the best way to tackle them is to have a financial cushion to fall back on.

Creating an emergency fund is not difficult if you can curb your urge for impulse spending. Cutting back on unnecessary expenditure will not only help you save for your emergency fund, but will help you build a more stable, financially secure future.

If you can't manage to save much with your ongoing 9-5 job, consider taking up a side hustle. A side hustle can help you channel your talent and skills into the right direction. Capitalize on your abilities and start exploring options aside from your routine job.

There are many more ways to beat your money woes in 2021, here in this eBook. Let's resolve to become financially responsible in 2021, so that we can tackle any emergency, head on!

# How **COVID-19** Has Impacted **Personal Finance**



Britons are increasingly feeling the impact of Coronavirus on their day to day lives and also in their financial well-being. Suddenly, the entire planet sat and worked from home, resulting in huge loss. The economy of developed countries is at the brink and can collapse. But the consequences of an outbreak are not distributed equally throughout the economy. While some sectors may gain potential benefits from such pandemics, others may suffer. However, organizations are working towards fostering global monetary cooperation. Government has also stepped forward by extending their helping hand to provide some relief to the people who are struggling with their finances.

## How COVID-19 has Affected the United Kingdom?

Health care and pharmaceutical sectors are doing well whereas the other sectors in the economy are hard hit. Due to the sudden disruption by COVID-19, consumer spending has bent lower and according to the forecasts by KPMG, the GDP of the UK will decline by 2.6% in the year 2020.

### COVID-19 & Energy Consumption in the UK

The major part of energy consumption is covered by businesses that have shut down their businesses amidst the widespread pandemic. This led to a steep in the consumption – to 85% of normal levels – affecting the energy sector. The weather led to another drop in seasonal demand. However, this drop has been recovered as half of the population is staying at home.

### COVID-19 & Travel in the UK

The Government on 16th March has advised the public to stop all non-essential contacts and also to put a halt on any unnecessary travel. The percentage of road travel has nosedived by as much as 73% and also the number of buses is reduced by 60%. Lorries are only transporting essentials as of now leading to a reduction of 40%. While all of this has led to a sharp improvement in air quality as the pollution levels have dropped.

### COVID-19 & Personal Loans/Overdrafts in the UK

In these difficult times, the worst affected area of our life is – finances. Lack of financial resilience may create trouble for you in the future. Therefore, you must manage it carefully. Lenders who offer personal loans may have to be extra cautious with your loan application if you have a bad credit score already. Apply for a loan only if you can afford all the repayments.

### Prioritize your Expenses

Given the current circumstances, you should only spend money on your “needs” and not on your wants. Some of the important expenses that you cannot avoid are housing, medicines, food, insurance, etc. Make a list of all the things that are essential for you and pay only for those products or services. Suppose, you already have an expensive data plan, and you hardly get time to watch the television. Then consider unsubscribing them as it is an unnecessary burden. You need to be choosy about the areas to be addressed. Do not panic and sit tight at home. Pay for what is necessary and cut down the unnecessary expenses as it will help your financial condition.

An emergency does not warn you before knocking on your doorstep. It is imperative that in times of crisis, you take all the necessary steps to keep up with the finances. Our officials are taking every possible step to mitigate the loss and hence, you should not panic at all. Stay home, stay safe, and break the chain by not stepping out unless it's an “emergency”. As the entire planet is fighting against the virus, we have got all the time to streamline our finances.

Treat this as an opportunity to identify and avoid any follies that could be detrimental to your finances.

# **5 Moves That Could Ruin Your Finances**



If you are working on building an excellent credit profile, it's crucial to keep an eye on your credit report. Credit report records your financial behaviour, so tracking them makes your job easier. You can easily spot and rectify the underlying issues.

We often end up making some moves that might not show up on the reports but could still disturb our credit score. While there may be some other moves – which may not sting your reports but could still introduce a series of financial problems later. Although your credit score is the forerunner of your personal finance, there are different yardsticks to measure different financial habits.

Know where you stand in your financial life now and then. An overall snapshot of your finances is an important tool in the process of living a financially independent life.

### **1. Draining your emergency fund**

The purpose of an emergency fund is to help you financially when you need it the most. It acts as a safety net, something that we can fall back on whenever facing financial difficulty. Do not take out money from the emergency fund for every small expense that you need to manage. Doing so will build a habit of taking out money from it even when the expense is not so necessary. So, instead of eliminating the unnecessary expense, you keep using the money from your emergency fund.

### **2. Co-signing a loan application**

If you are considering to co-sign a personal loan application, then wear your thinking cap again and reconsider your decision. Helping someone who is in need is a great thing to do but it may backfire and spoil your finances. Yes. Co-signing a personal loan application may have a severe impact on your finances.

In case of a default on the loan by the primary borrower, the lender will expect you to make all the remaining payments. If you do not keep up with the repayments, the lender may take legal support against both of you to recover the money. Being a loan guarantor comes with a huge responsibility.

Understand your responsibility and your rights before you sign on the documents to become a loan guarantor.

### **3. Not sticking to your budget**

This is the primary thing that you need to take care of amongst all others. A budget is an extremely beneficial tool that shapes your finances. It helps you in tracking your money so that you can use it judiciously, without overspending it.

Budgeting may not sound fun but there are a lot of ways you can make it fun and exciting. Not following or sticking to a budget may lead you to spend money unnecessarily. And unnecessary spending will create a financial dent. Apart from that, you will find a lot of challenges to meet your savings goal. Sometimes, you may also land up in debt.

### **4. Making minimum repayments on your credit card**

When you choose to make the minimum repayment on your credit card – you are accumulating debt. Interest will be charged on the unpaid balance and gradually you will end up paying way more than you had spent in the first place. If possible, or say, whenever possible, make more than the minimum payments. The unpaid balance on a credit card may result in a higher credit utilization ratio. A high ratio impacts your credit score too.

Cut down unnecessary expenses and do not take on new debt until you pay off the current one.

The more you pay towards the debt, the faster you will become debt-free. Also, you will save a lot of money in terms of interest.

### **5. Borrowing more than you can afford**

It's a mantra that will save you from a hundred or maybe thousands of pounds. Ensure that you borrow well within your affordability. Personal loan offers may tempt you to borrow more. With an easy and fixed monthly repayment structure, you may get carried away for a while. However, remember that you are responsible to pay whatever you are taking out from the lender.

If you borrow an amount that you cannot repay, it will impact your credit score. Not only that, but the lender may also decide to take legal action and you may end up with a County Court Judgement. Also, it will impact your future borrowing experience.

Plan in advance and calculate the amount that you need and how much of that you can pay back without any trouble.

### **Building healthy financial habits**

Rome was not built in a day. Habits take years to form, but once you develop the right set of habits, nothing can stop you from achieving financial independence. Financial anxiety is one of the common concerns that you may have to deal with while improving your money management skills. You have to spend mindfully, for which you will have to differentiate between your needs and wants.

Small habits will help you make better financial decisions and without building good and healthy financial habits – it will be difficult to achieve financial success in life. Each one of us will have our aspirations and desires. And the truth is it is not possible to satisfy each one of them every time. You will have to set your priorities. Separate your needs from your wants, save as early as possible and regularly, take advantage of tax savings plans, and invest in creating a stable financial base.

Financial stability doesn't just involve your income, pension or credit score. There is one, often undermined factor that has a major role to play. A strong financial resilience strategy that can help you bounce back from a financial downturn, is what can help you achieve true financial stability. In the next chapter, we'll learn more about building a robust financial resilience strategy.



# Building a **Fool-proof Financial** Resilience Strategy



The year 2020 has turned Britain into a nation of savers. The onset of the Coronavirus Pandemic forced us to take a deeper look into how robust our financial strategy really is. Savings are a key component in money management, and yet, over 40% of the Brits don't have sufficient savings to last them for a month with no income. Where almost 1 in every 3 people has savings of less than £1500, there are 9.05% who've got no savings at all. Most of us normally overlook the importance of planning a financial strategy ahead of time. But the alarming aftermath of Covid-19 is a wakeup call, urging us to realise the gravity of the situation.

Emergencies are sudden by nature, but that shouldn't deter you from tackling them, head-on. With a strong and efficient financial strategy and informed decision-making, you can prepare yourself better to hustle through any crisis.

To help you strengthen your financial resilience, we've done some research and come up with some tips that can help you plan better.

### **1. Start by creating an emergency fund**

If you've not saved up an emergency fund yet, it's not too late. Start by saving small amounts, perhaps £200 every month or £50 a week and watch your fund grow. You can also set up automatic savings from your monthly income, to set aside at least 2% for the fund. Deep dive into your budget and see what you can do to shore up more money in your emergency fund. Considering the current circumstances, where over 6 million people experienced an income shock, savings are imperative to weather this crisis. Once you set up an emergency fund, you'll at least have the worst-case scenario covered.

### **2. Shield your credit score from damage**

Your credit report is the determining factor of your eligibility for loans and credit. If you often rely on credit cards to bridge some financial gaps, make sure to keep up with repayments. Even if you can't make payments in full, agree to a plan with your creditor and make at least the minimum payment to reduce the balance. Once you're in a position to repay, start making regular payments, as agreed with your creditor so that your credit score jumps back to normal. Checking your credit report on a regular basis can also help you in the long run. Discrepancies in credit reports are normal, but they can prove to be detrimental to your credit score. Thus, a regular scrutiny of your credit report will help you identify any follies.

### **3. Look for any employment benefits**

Give your employment contract a thorough read and find any employee benefits, such as sick pay, that cover some costs. Some employers cover up to 3 months of sick leaves for their employees. If you happen to benefit from this, use these earnings to build yourself an emergency pot, to last you for at least 6 to 9 months.

### **4. Keep a room for emergencies in your budget**

Once you're a little more financially stable, create a budget with some room. Normally, financial resilience can help you get through in times of crisis. But leaving some room in your budget will help you get through your day to day struggles, without having a major impact on your overall savings. For instance, if your weekly budget allows you to spend £100, but your expenditure is £75, you'll be left with £25, which could keep you covered during an unforeseen crisis.

### **5. Think about financial resilience on a personal level**

Make a list of things you can do, on a personal level, to make yourself more financially resilient. Decouple your funds from your spouse/partner and gauge your resilience to get a better idea. Do you have enough to survive through a crisis? Do you have a separate savings pot and a retirement plan of your own? Finding answers to these

questions will help you get an idea about where you stand currently when it comes to financial planning.

The Coronavirus pandemic has certainly brought an air of change. People who formerly ignored the importance of saving, have now shifted their attitude towards the idea. This will bring about a change in the overall saving pattern in the UK. We encourage people to start looking at the bigger picture, and make small sacrifices in their usual spending patterns, to build up a sturdy fund to fall back on.



# **Invoke Your Inner Saver:** **9 Superb Money Saving Tips**



The Coronavirus pandemic turned a ‘YOLO spending’ Britain, into a nation of savers. Many of us who dreamt of saving for future funds, got this chance only because of the pandemic. Being locked indoors is taxing, but there’s a glimmer of hope to this situation – the amount of money you are saving amidst the lockdown. Saving has never been Britain’s cup of tea, but a crisis like these compel us to invoke our inner saver and secure some pounds for the rainy days. After all, a penny saved is a penny earned.

We believe that this newfound habit shouldn’t just be limited to the lockdown. Therefore, we’ve come up with 8 ways to help you save money even after the lockdown is over!

### **1. Probe into your Direct Debits**

Auditing your direct debit will require you to put those blazing spending habits under scrutiny. Identify any direct debits that you can pause for the time being. For instance, a gym membership that you’ve barely used, or a club membership to visit attractions. Think of it this way – any expenditure that you’ve survived without during the lockdown, is basically a leisure expenditure. This time around, avoid renewing unnecessary subscriptions. Perhaps try picking a new hobby to replace those activities.

### **2. Price Tracking – A Smarter Way to Buy**

Price tracking websites are a saving grace, as they notify you whenever your favourite retailers slash their rates. All you need to do is lookup for your retailer online and track them through one of these websites, for instance, Alertr. Andy Barr, co-founder at Alertr explains “You can even set a price limit on these sites so that you get notified only when the price has dropped to where you want it to be.” Additionally, these sites can help you stay updated about all the sales being held by your favourite brands. It’s a win-win!

### **3. Using Points**

We often ‘oblivate’ the concept of points, when it comes to shopping. A large number of stores provide ‘Point cards’ or ‘loyalty cards’ to keep track of the points that a person earns on each of their purchases. You have to spend a certain amount of money to earn points. Once you meet their reimbursement criteria, you can use these points to shop. Chains like Boots, Debenhams, Tesco and Nectar, etc., are among a number of places offering point cards.

### **4. At Home Salon**

With the wide variety of products available on the counters, creating a salon-like experience at home is no biggie. With a relaxed lockdown, you may feel tempted to treat yourself to a manicure. But, ask yourself if it is really necessary. Instead of getting regular beauty treatments, consider them as a way to incentivize yourself. Making beauty treatments a treat, rather than a necessity, is a good step towards becoming a saver.

### **5. Recycle! Don’t Let that Slip**

An interesting skill that we all acquired owing to the lockdown, is up-cycling. While recycling is a great practice, up-cycling is something that we can do even with damaged, discarded products. So next time you want to decorate your house with something new, consider creating something at home with cheaper alternatives, rather than splurging on expensive show-pieces.

### **6. Discount Coupons are a Holy Grail**

With the emergence of Covid-19, people have replaced outdoor shopping excursions with online shopping. With the number of discounts coupons offered by third-party websites, online shopping might actually save you the extra bucks. So put on your searching hats and look for discount coupons before checking out and paying for the products in your cart. If not all, at least some products will be covered by relevant discount coupons.

## **7. Cutting the Commute Cost**

Travel plans seem to have already subsided for 2020. That doesn't mean you can't explore your city anew. We say that you do it on a bike, instead of your car or the tube. Investing in a bike is a great idea, even in the long run as you save money on fuel, cab, bus and tube costs. For a lot of us, we couldn't use the money that we added to our oyster cards, most of Q1-2020, due to the pandemic. Bikes are a good alternative to this as you can avoid that ride in a packed tube, which could potentially expose you to the risk of acquiring the infection. And our favourite upside of bikes is the fact that they're absolutely eco-friendly!

## **8. House-party Games and Zoom Quizzes**

Video conferencing apps seem to have found their niche amidst the lockdown. Not only are companies switching to these apps, they're also becoming increasingly popular for 'socially distant game nights', 'movie nights' or 'friends pop quiz', among others. Social distancing is anyway advisable for the time being, even with the lockdown being relaxed. So the next time you feel like hitting the neighbourhood pub but feel apprehensive about socializing, gather your friends in a video call and organize an online party.

## **9. Cutting down your alcohol consumption**

There are as many monetary benefits of avoiding alcohol as there are health benefits. We've listed a few of those to motivate you to see the bigger picture:

### **Monetary benefit**

- Limiting your alcohol intake will reduce how much you spend on it.
- You can reduce major outlying costs – cab fare, take-away food, buying other people drinks.
- You won't have to buy a Saturday Night outfit every week.
- The expense of hangover cures – food, medicine, and energy drinks will reduce drastically.

### **Health benefit**

- High productivity and increase energy levels.
- Focus and clarity in your work environment.
- Better sleeping patterns.
- Weight loss.
- Better and healthier-looking skin.
- A new perspective on alcohol consumption.
- A sense of achievement and triumph for winning over an unhealthy habit.

The pandemic has drastically affected our spending habits but turns out there's a silver lining to it. Ever since the Virus hit home, it has inspired us to not only save money but has also taught us to spend judiciously. An online survey of 2000 adults, revealed that 77% of Brits have saved close to £480 in the lockdown. This amounts to over £1.8 Bn of savings as a nation. Perhaps it is safe to say that the pandemic is a nudge that we desperately needed, to mend our spending habits. So we can't help but ask ourselves if Britain becoming a Nation of Savers, is actually for a greater good?

COVID-19 has also severely affected the UK's job market. While a lot of us were furloughed, some lost their jobs altogether. Ever since the onset of the pandemic, we've been stuck in a phase of financial turbulence and we can't seem to find our way out. We've realised the importance of having an emergency fund to support us on a rainy day. If your 9-5 job doesn't yield you enough income to build your emergency fund, consider starting a side hustle to make more money.

In the next chapter, we'll discuss the importance of having a job or project aside from your regular job. Learn how to make a career out of your hobby!



# **Starting a side Hustle: Earn Outside of Your 9-5 Schedule**



Becoming your own boss sounds uber cool but it does take a lot if you are considering to pick up a side hustle to earn more money. Some people consider working after their usual 9 to 5, while some may consider quitting their job altogether to take their passion to the next level. Both ways it requires precise planning and strategic devising of a concrete plan to achieve your goals. Also, there are chances that you may find an alternate career option while continuing your side hustle along with your permanent job. But the question is – is it worth it? Let us find out.

### **What is a side hustle?**

In literal terms, a side hustle is something that you pick up outside your usual and regular job that helps you earn some extra pounds. Although the idea of earning more money is tempting, you should understand that your level of income will vary throughout the year. If you work for limited hours, you are likely to get limited funds. Although there are a lot of side gigs that you can consider picking up, ensure you choose the one that is in alignment with your daily schedule for effective time management. Whether it's a podcast that you are planning to launch or a blogging website that you can monetize – plan before you finalize.

### **3 reasons to start a side hustle**

For anyone who is new to side hustles, it is quite an intriguing idea to start something of their own. You will have a lot of questions in your mind and all those questions are valid. Starting a side hustle is like the stepping stone towards financial freedom.

Here are 3 reasons to start a side hustle, which will motivate you to grow your business:

#### **1. Personal and professional growth**

When you start something of your own, initially you will not have the resources or finance to hire people to help you out. That's when you start learning new skills and tools that makes you more hireable.

Suppose you start blogging with an aim to promote beauty and skincare products. You will also have to find ways to put this up on your social media pages and reach out to the influencers and brands to help your post gain visibility. So, instead of being a blog writer, you will gain expertise to become a social media manager.

#### **2. Multiple streams of income**

Extra money makes us feel empowered. If you budget and plan well, you can go on that vacation you always wanted. You will not have to wait for your paycheck to fulfil dreams that you have. And wouldn't it be nice to have some extra money in your bank account? It will also act as a safety net in case of emergencies.

So, with a side hustle, you will have a way to attain financial freedom easily without having to trade your time.

#### **3. Pay off your debts fast**

If you have accumulated multiple debts that are no longer manageable and it's impacting your credit score – a side hustle is an easy way to pay them off fast. Streamline your total income and prioritize your debts. Pay the high-interest rates first and then line up the other ones that have comparatively lower rates on interest.

A lot of people start a side hustle to pay down their debt. From developing applications to graphic designing – there are multiple opportunities to help you earn extra cash. We did some deep diving and curated a list of some trending side-hustle career ideas for you.

### **Side Hustle Career Option #1: Instagram Influencer**

Instagram influencers are people with a decent amount of followers, who post content that gets good engagement.

To become an Instagram influencer, you need to establish authenticity and a sense of trustworthiness through your content. But don't start posting just yet. Organize your thoughts and find your niche and stick to it in order to build your own brand. You could choose from travel to food, fashion and fashion, the list is endless. Now that you're ready to start, ensure that your posts are consistent, while also improving the quality of your content.

Some tips to becoming an unstoppable force on IG:

1. Be consistent with your posts
2. Engage with your followers through likes and comments
3. Use Hashtags to increase the reach of your content
4. Collaborate with Brands to increase your credibility and engagement

Being an Instagram influencer is not a cake-walk. You have to constantly maintain a responsible public image as people look up to you. But the best part is that it lets your creative genius take charge to create something out of the box.

### **Side Hustle Career Option #2: Blogging or Freelance Writing**

You'll be surprised to know how great of a creative outlet writing can be! With over 505 million blogs all over the web today, Blogging has seen significant growth since people first found out about it. A blog refers to an online journal that contains information relevant to a particular topic or issue. A blog may have someone's opinion on a subject or information about the subject itself. For becoming a blogger, you don't need to be a skilled writer. Blogs can be conversational and informal or concise and insightful, depending on the requirement of the subject.

Here are some steps to help you kick start your blogging career:

1. Channel your train of thoughts towards one direction to find a niche
2. Choose a good platform to publish your blog – for instance, WordPress
3. Use a good theme for your blog
4. Write the blog and publish it
5. Find ways to increase traffic on your blog
6. Connect with brands and companies and write promotional blogs

Blogging can help you in:

1. Honing your literary as well as analytical skill set
2. Gaining expertise in a subject
3. Becoming confident and expressive
4. Increasing your social network in the field
5. Monetary incentive

After all, it's not every day you get paid to express your opinion!

### **Side Hustle Career Option #3: Dropshipping**

Dropshipping is simply e-commerce without an actual inventory. In this arrangement, an online e-commerce store sells a product to a customer, but the product travels from the wholesaler to the consumer directly, without the retailer's involvement. This means that the retailer doesn't need to maintain an inventory. Instead, retailers work in close association with their distributors to ensure a seamless shopping experience for the consumer. Following are the steps involved in a drop shipping model:

1. The user places an order on an online store.

2. The online store transfers the order to a third party wholesaler or distributor.
3. This wholesaler will then undertake the packaging and delivery of the product.
4. Once this is done, the online store informs the customer that their product has been shipped.

Dropshipping is a great option for people who want an inexpensive business model. This option is also quite manageable as the supply chain model is not very complex. It provides flexibility as it is based on the 'demand and supply' principle. You can always add new products or remove obsolete products that are not in demand anymore. You're basically your own boss. And the best part is that you don't need any entrepreneurial experience to become a drop shipper – it is a stress-free way to build your business.

### **Define clear goals**

One of the most important frameworks for the success of your side hustle is setting SMART goals. Set up goals that are Smart, Measurable, Achievable, Relevant and Time-bound. Start small and take baby steps. If you are aiming for a straight end, then be prepared for surprises as every business has its ups and downs. Don't quit when you face a setback, rather work on it to find different ways to do the same task. Doing research and implementing your findings will help you achieve efficiency.

In order to achieve your end goal, focus on the smaller goals that will build the ladder to the final goal that you have projected. Stick to your deadlines – and for that, you will have to hold yourself accountable as you are your owner. Never aim for perfection when you are starting off – it will be a disappointment. With time, practice and experience you will learn to be more than perfect in what you are doing.

Assess your financial circumstances before you consider quitting your full-time employment. Most of the self-employed businesses do not work, hence, you need to be careful while choosing a path in which you are going to invest your time and money.

Side hustles are not only meant for achieving financial freedom. It's also beneficial for you as you tend to learn a lot of new things that will also help you in reshaping your career. There is absolutely no harm in going an extra mile for the sake of learning.

If you live with your partner, it can also be a good way for the two of you to bond over an activity. Additionally, you can use their skills and knowledge to perform better. Involving your partner into your financial life increases intimacy and trust. But you as you involve them in all the good things, trust them with your problems too. If you have debt problems, don't be embarrassed to share them with your partner. Because, faith is the key that drives a relationship forward.



# **Couple Power: Sharing Your Financial Problems With Your Partner**



Dating can sometimes feel like walking on a minefield. You're at the risk of stepping on a bomb each minute. Instilling a sense of trust in your partner and getting them to open up to you is a beautiful feeling indeed. But there are two sides to a coin. It won't be long before your rose-tinted lens wears off and you see the person for who they really are. Are you willing to accept the reality if they're willing to come clean on every aspect of their life? Even debt.

Debt comes as a part and parcel of life. We've all held the burden of debt at some point in our lives. As long as your debt is reasonable and not a result of impulsive spending, debt isn't something you should be embarrassed by. Start by accepting the situation for what it is and then resolve to turn it around.

When starting your life with a special someone, you promise them honesty. But can you confide in them about your financial problems?

### **Should you tell your partner about your pile of debt?**

If debt were a piece of cake that you stole from the fridge last night to curb your hunger, things would be easier. But it isn't. Sooner or later, your partner will eventually know about your debt problem. What if you both agree to financially contribute to the relationship jointly, and they notice you coming up with new excuses to avoid it? Or what if they read a legal notice from your lender? Isn't that going to hurt more?

Not only is this financial infidelity, but it is also a misuse of someone's trust. It won't be long before this changes their perception of you and they start to resent the relationship. Thus, you'll be better off confiding in your partner and discussing your financial issues with them, sooner than later.

### **How to talk about money with your partner?**

1 in 3 people says that talking about money with their partner benefits them in some way. But most importantly you will have to plan when to time it right. Plan for the discussion beforehand so you don't land up in troubles later. Figure out what you will be putting on the table and if possible predict the responses that you may likely get from your partner. That way you will be prepared to have an indulged conversation that will result in something beneficial for both of you.

Remember that everyone will have a different attitude toward money. You cannot expect your partner to agree with you on everything that you may say. Assess their financial background and run an assessment on you as well. Weigh the backgrounds and make your pitch accordingly.

Rather than focusing on the differences, focus on working out on the differences. That's the mantra – whether it's relationship or money.

### **3 ways to sort out money with your partner**

A lack of financial openness between couples can make matters worse. As a partner, you must have complete and accurate information about the status of your partner's money. And the same goes for your partner as well. Here are 3 ways to dive deep into your money issue and sort it out without falling out with your partner.

#### **1. Create a separate or joint account**

Once you have had a conversation with your partner, decide on what type of account will suit you both. You may go for a joint account for all the expenses or you can do it with separate accounts. If you are choosing separate accounts, it's better to clear out on the things for which you will be responsible and the things your partner has to take care of. Having a clear idea of how the expenses will be managed will help you steer clear of the confusion.

that may later occur.

## **2. Who puts in what?**

How much you will put in the account and how much your partner needs to put in – is an important question that needs prior discussion. Rather than blindly dividing it into a 50-50 ratio, consider who earns what. According to the monthly salaries that you guys get, you can agree on the ratio each one will be putting towards all your expenses.

If you people decide to opt for a separate account – ensure that you pay for all the things that you had decided and your partner also follows the lead. Do a review of the expenses at the end of every month to keep a track of the plan that you had initially drafted.

## **3. Keep separate cash/funds for extra expenses**

We all need rewards sometimes, and rewarding ourselves should not be considered as a financial mistake as long as you are doing it within your budget. Apart from putting money in your joint/separate accounts for the regular or household expenses, keep some pounds for occasionally treating yourselves.

This way, you are less likely to divert from your budget as for such unexpected expenses – you will already have a pot ready.

Sorting out the finances with your partner will make both of your lives easier and organized. Money issues can make your lives difficult, but remember there are various ways to sort such problems rather than taking a backseat. And hiding your financial concerns from your partner may lead to a disaster. It's better to take things in your control. Do not just bring this topic directly without any prior discussion to the dinner table. Talk to your partner and give them an idea about the things that you both need to discuss and when. Allow them some time to think it over so that they can come prepared.

Transparency is the key to happy relationships!



## Epilogue

Your finances won't improve overnight. Financial planning is an ongoing process and it takes time to develop a strategy to suit your needs. You may use a hit and trial approach before concluding the strategy that works well for you. The key is to continue to learn from your mistakes and resolve to improve your relationship with money. Don't get disheartened if you fail to adhere to a budget for a few months. Try harder the next time, until you get the desired result.

If you prepare yourself for the upcoming twists and turns – you will glide over the financial tragedy smoothly. We're all well aware of the importance of money management principles. But we underestimate the significance of things, and yet crave to be financially independent and resilient. You can achieve financial independence by being disciplined with your money management habits.

