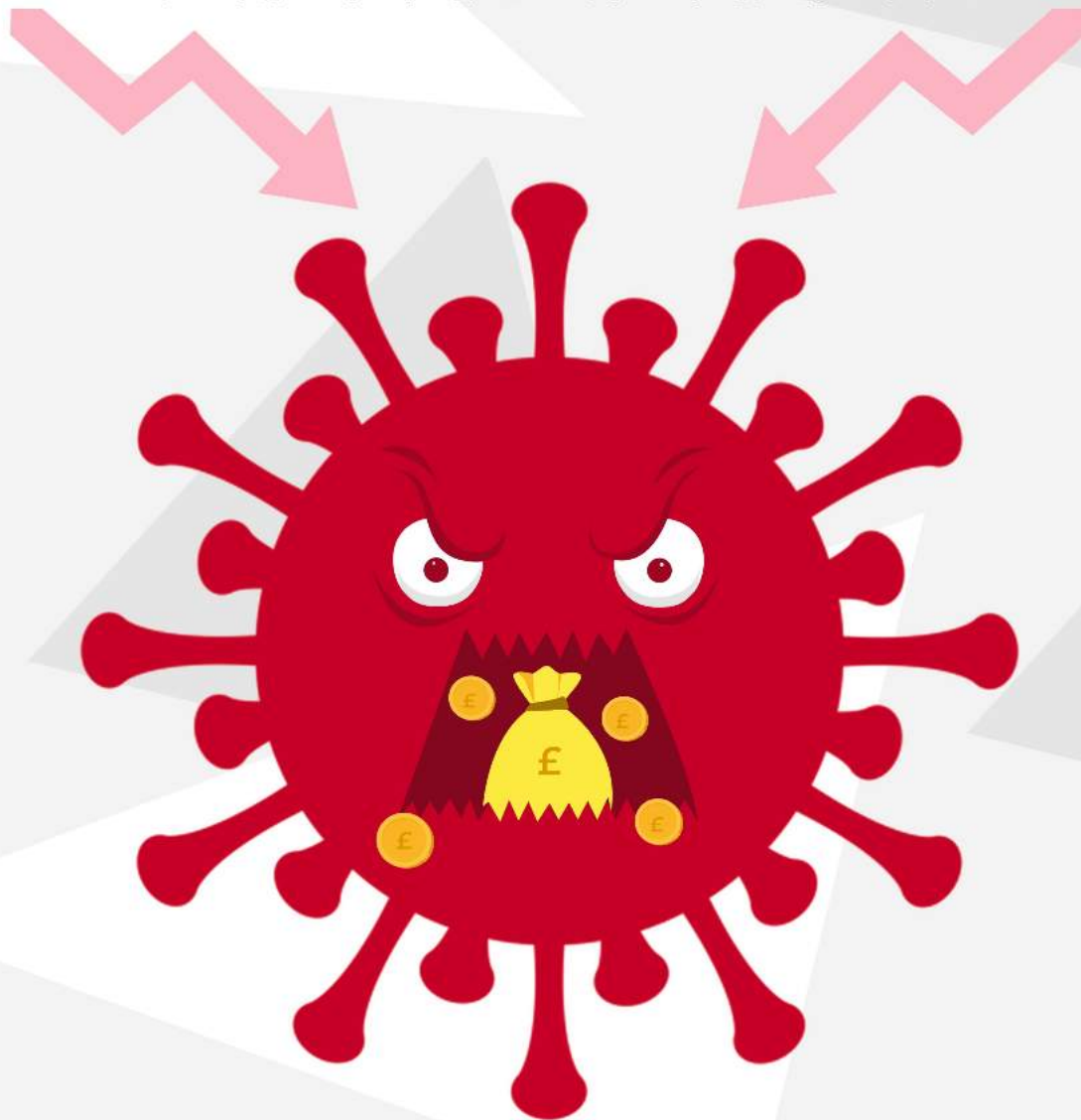


THE IMPACT OF COVID-19 ON YOUR PERSONAL FINANCE



PREFACE

We all know how the world has changed over the past few months due to COVID-19. The novel virus has affected almost every thing including our finances. The Government of the UK has been consistently introducing schemes to boost employment and economy.

Personal finance is most overlooked part of our lives. Some of us do not even discuss our financial issues with our loved ones. And we don't bother to rejig our financial plans. Not taking care of the money may also leave a dent on your finances.

The pandemic has been hitting hard on our every day lives. From finances to education, every other thing in our life is getting impacted. During these trying times, we felt there is a dire need to protect our finances from getting racked up.

The effect of COVID-19 may last long on our money matters but there are various ways to manage it.

This book is for all those people who love their money and who are looking for ways to protect their money from the effect of COVID-19.

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CHAPTER ONE

THE **GREAT RECESSION** 2008:
WAS THAT JUST A **DRY RUN**?



CHAPTER ONE

HOW IT ALL STARTED

Several pneumonia-related cases surged in Wuhan that made the Chinese authorities alert the WHO on December 31, 2019. COVID-19 started as an epidemic restricted only to China, however, it has now become a 'global pandemic'. The Coronavirus pandemic has put the global economy into great peril. Economies are bearing a huge loss due to global lock-down. Consequently, people are unable to run businesses and millions have lost their jobs, owing to this outbreak. Since the commencement of the Nation wide lockdown, people have been dragged neck-deep into a financial turmoil. A number of employee are facing hardships due to reduced working hours, resulting in pay cuts. Although, the rigorous efforts by the NHS and the social care workers are commendable.

But what's threatening is the fact that there is no certainty over the resolution of this health crisis. As we wait for a long-term solution, the decline in economic activities has created turbulence, raising a serious question. To spur the economic life and to bring back millions of lives on track – the government is taking unprecedented actions. Despite all the support and funding initiated by the UK Government, people are being swallowed into the whirlpool of this financial crisis. Forecasters have predicted that a deep recession is underway. However, with ambiguity surrounding the course of this pandemic, it's tough to establish any facts. We did a fact check and made a timeline to help you understand the major events that the pandemic instigated.

THE GREAT RECESSION OF 2008: WAS THAT JUST A DRY RUN?

The Great Recession of 2008 marked the beginning of a 5 year-long period of a deep recession. This economic plunge commenced after a global credit crunch in 2007-2008, followed by a period of minimal or negative growth and higher rates of unemployment, across the UK economy took a hit for 5 quarters in a row, after thriving with a whopping 63 quarters. It took five years for the economy to jump back to the size it was before the recession hit home. Between Q1-2008 and Q2-2009, the UK economy plummeted by more than 6%. During this recession, the unemployment rate rose to 8.4%, with close to 2.7 Mn people seeking work. However, even people earning a steady salary were struggling with making ends meet. Their income wasn't enough to keep up with the increasing prices of goods and services.

The recession of 2008 in the UK, can be attributed to:

- Shortage of cash in banks, that led to a downturn in lending
- Low confidence of consumers and businesses, owing to the financial instability
- Fall in IMPEX, thanks to the vicious cycle of the global recession
- Housing Boom and Bad Credit

The housing boom was a period in which house prices grew rapidly, consequently leading to a growth in bank lending. Now with the increasing competition, banks were more than willing to take risks in lending. Owing to this, they relaxed their lending criteria and limited the checks on a borrower's repayment ability. As a result of this, borrowers were left with a large repayment amount and inadequate resources to repay. This led to the loss of liquid assets for banks, who have now stuck neck-deep in this recession.

THE GREAT LOCKDOWN 2020: DRAWING A COMPARISON

The credit crash and recession of 2008 affected the UK in ways that are yet to be fully discovered. Just as we started to recover from the previous crisis, this new wave of financial catastrophe jolted us. The Coronavirus pandemic is giving the great recession a run for its money. Back in the days, the government pressed all buttons to avert a deeper dive into recession, including Zero Interest Rates (ZIPR) and Quantitative Easing (QE). However, with the Covid-19 outbreak, there's only so much they can do, given the vagueness and ambiguity around it.

Economies are drowning into this quicksand that Coronavirus is turning into. As a result, investors fear a decline that the government will not be able to avert. In response to this, Central Banks in the UK have slashed their interest rates to encourage borrowing and spending. As the UK was forced to set a nationwide lockdown due to the pandemic, the economy shrank by 2% by March 2020. This means the virus had such severe implications, just within 3 months of exposure to it. While the analysts actually expected a decline by 2.6% in Q1-2020, this still remains the greatest contraction since 2008.

Some more facts about the Covid-19 economic fall:

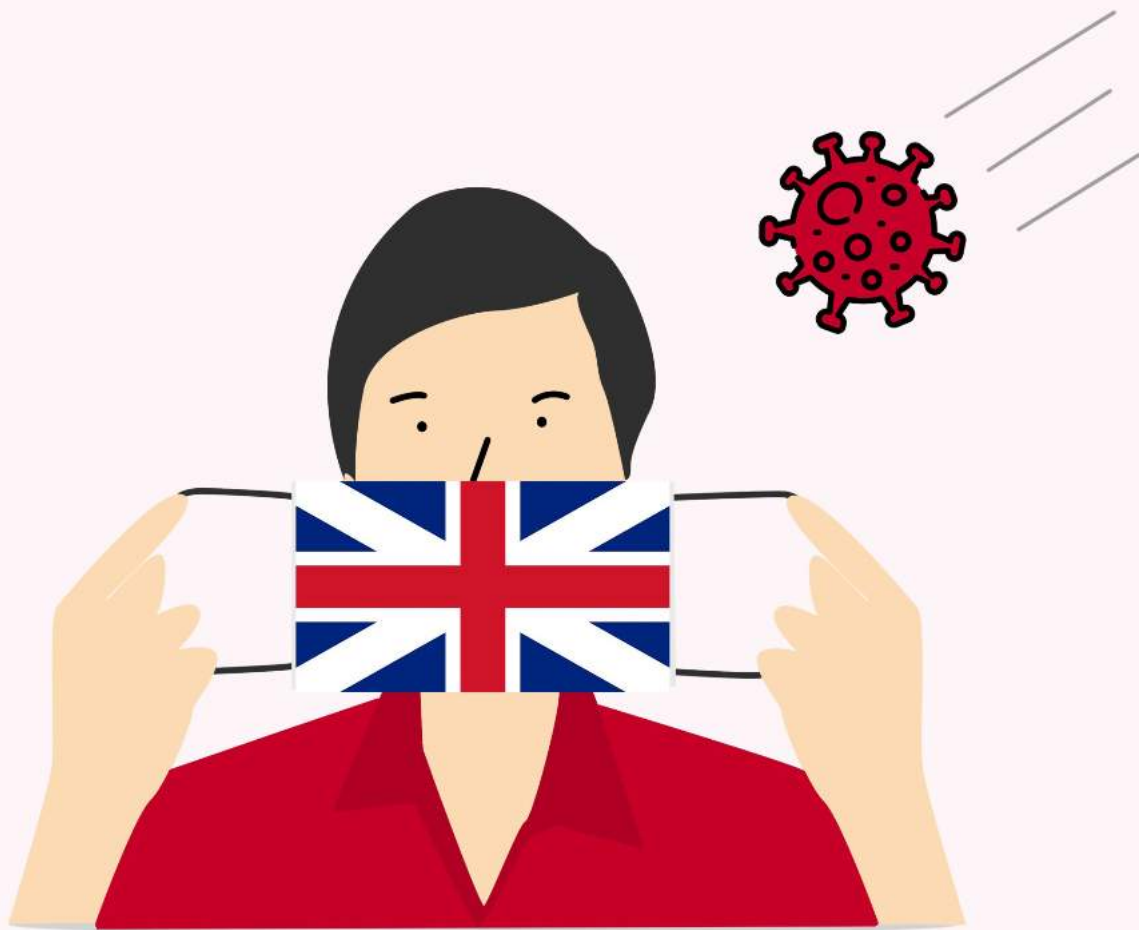
- The Service Output, which comprises retail, hospitality and travel, decreased by 1.9%.
- Household spending actually dropped by 40% in the month of April, as opposed to 30% suggested by the Bank of England.

- Approximately 15% of the people have witnessed a drop of over 50% in their income. People with lower incomes had to resort to borrowing after their savings were exhausted. This has led to an increased disparity between consumption and income.
- Over half-a-million people in the UK, applied for Universal Credit, within two weeks in March.

The pandemic has impacted multiple facades of our routine life. As we lose count of the things that will be adversely affected by this virus, we can't help but wonder if the 2008 recession was merely a run-through for this outbreak.

CHAPTER TWO

How COVID-19 HAS AFFECTED THE UNITED KINGDOM?



CHAPTER TWO

THE IMPACT OF COVID-19 IN 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.

COVID-19 & Consumer Financing

Over 13% of British adults have witnessed a decline in their income. This is directly affecting their spending behaviour since people feel that they're unable to keep up with their financial commitments. Over a quarter of Britons have put a pause on any extravagant purchases, with over 14% delaying significant life events. This change in consumer behaviour and fall in retail transactions is bound to alter credit demand. People are having to tap into their savings to pay for essentials, which implies that the bounce back to normalcy in case of retail purchasing will be slow.

HOW THE GOVERNMENT HAS TACKLED THE BLOW?

To combat the effects of the outbreak on various industries, the government in the UK has outlined an action plan. Intending to address the rising issues and concerns of the majority of employees, the UK government has:

- Offered access to government-backed funding of up to £5mn to small and medium-sized enterprises who have an annual turnover of up to £45mn if they are experiencing problems with their cash flow.
- Proposed that businesses falling into the category of retail, leisure, and hospitality in England are exempt from paying business rates for the 2020-2021 tax year.
- Taking a strong step to safeguard jobs. All the employers in the UK who have a PAYE scheme can access the government grants to keep paying some part of the salaries of their employees to decrease the unemployment rate.
- Directed that income tax payment for self-employed individuals due on 31 July 2020 under the Self Assessment system may be deferred to 31 January 2021.
- Under the Self-Employment Income Support Scheme (SEISS), self-employed individuals or members of partnership can claim a taxable grant that is worth 80% of their average monthly profit for the last 3 tax years.

- Offer help to the renters and no renter can be forced to leave their place either social or private. Landlords will have to give a 3 months' notice to the renter if they want their tenants to vacate their place.
- The FCA announced that people who are unable to repay their credit, can request a payment freeze or an arranged overdraft of up to £500, which will be free of any interest. The last date to apply for a payment freeze is October 31' 2020.
- The Bounce Back Loan Scheme that was launched on May 4' 2020, aims to aid small businesses to sustain themselves in the market. These are easy access loans ranging from £2000 to £50,000.
- Rishi Sunak has announced a total grant of £2 billion for energy-efficient home renovation. So, each household can apply for a £5,000 voucher under a £3 billion drive announced recently to support 140,000 jobs for greener homes, hospitals and schools. The remaining funds of £1 billion will be spent on making schools and hospital environment-friendly. Approximately half of the funds will go to some of the poorest households, which can access vouchers up to £10,000.

CHAPTER THREE

HOW TO MANAGE YOUR **FINANCES** EFFICIENTLY?



CHAPTER THREE

WHAT CAN YOU DO TO HANDLE YOUR FINANCIAL SITUATION BETTER?

Financial management is not only important for people who do not have money problems. It may occur anytime and given the current situation of the COVID-19 crisis, 8 in 10 Brits are worried about their money as per a new report. From cancelling magazine subscriptions to gym memberships – everyone wants to have a tighter grip on their finances more than ever.

The UK government has laid out multiple plans to help citizens sustain this catastrophe. However, controlling how you spend your money is in your hands. Therefore, we have highlighted some tips for you to use your money effectively, because you can't avert the pandemic, but you can minimize the damage.

First Things First – Stay Informed and Save!

As per reports, the average weekly expenditure of a UK household is approximately £585.60, in which travel, recreation and culture account for 44% of the total. An average UK tourist spends approximately £661 on their holiday, the countrywide total amounting to £48 billion for the year 2019. These figures saw an increment of 6%, compared to 2018. With these insights, we can conclude that the only silver lining of this pandemic is that we are saving money on the leisure expenditure that we were so used to. While these are some factors that we can control, there are a bunch of things that are being done for our welfare. Take a look below to see what you can do, and check what you've already done:

#1 Keep yourself informed about Payment Holidays and Policy Refunds

If you haven't yet, consult with your bank or lender and discuss your financial situation. Seek help before you run behind your payment so that your lender doesn't get the wrong impression. If you are not using your car due to the pandemic, you can apply for a Statutory Off Road Notification (SORN). If your application is approved, you won't need to buy insurance for your vehicle. However, bear in mind that you also won't be able to drive and use your car, even for small trips to the grocery store as it is no longer insured.

#2 Know about Tax Discounts

The government announced a £500m Hardship fund to aid those in need. As per this plan, the council is expected to use this money to slash bills of eligible citizens, by £150 a year. People who pay less than £150, may not need to pay Council tax altogether. This scheme is anticipated to help 2.3 million citizens struggling to make tax payments.

#3 When it Comes to Bills, It's Okay to Seek Help

A number of energy providers are helping customers on a case by case basis. Your energy provider may be able to give you either a payment holiday or clear your debt charges. As for customers with 'pre-paid' plans, the government announced that energy companies should keep them connected as it is not practical for people to step out just to recharge their meters.

#4 Save What you can on TV and Broadband Subscriptions

Broadband provider BT has given its customers unlimited home internet usage. They are also allowing customers to claim the cost of two months of subscription on BT Sport. Another telecom giant, Sky, is allowing people subscribed to Sky Sports TV, to pause their subscription. Customers can, however, continue watching these channels even with the subscription on hold. 'Talk Talk' is allowing people to benefit from both Sky and BT's relief plans. So you can pause subscriptions or payments and save on those pounds. A lot of mobile companies are also lending a helping hand to their customers. Vodafone, Three, EE and O2 have declared zero-rated data and calls to NHS services. With roughly 1.2 Million citizens that have been isolated owing to their vulnerability to the disease. Vodafone and EE are offering a generous amount of data and calls. Vulnerable can also register for free regular deliveries of essentials. Money saved through these unconventional sources can collectively generate enough to keep you at par.

NOW COMES THE BUDGET DURING COVID-19

After having saved those extra pounds, it is time to lay out a plan to effectively spend this money only where it is necessary. Following are some tips you can use to manage your finances more constructively:

#1 Technology to the Rescue

There are a plethora of digital means available for you to create a budget and track your expenditure. You can use these mobile/desktop apps to track your daily spending, as they fetch information directly from your bank account using 'open banking'. Some of these applications also help you set a weekly or monthly limit allowing you to put a cap at a certain amount. Money Dashboard, Bean, Emma, Wally, Yolt and Cleo are some popular applications that serve the purpose.

#2 If you're More Old-school...

You can never go wrong with the traditional 'envelope' budgeting. Count your savings and income and allot an envelope to each essential expenditure. Now keep adding money as and when required. For who is not very tech-savvy, this is a good way to organize your bills as well as money.

#3 Subject all your Bills to Careful Scrutiny

Human beings are bound to make mistakes, and so are machines.

It is a known fact that companies can sometimes send a faulty bill to your doorstep. Don't let their miscalculation burn a hole in your pocket. Pay careful attention to all your bills before making payments.

#4 Save your Receipts

Either keep a track through a payment app or ask for hard copies at the till. Keeping a record of all your receipts is an essential step in tracking your expenditure.

#5 For Services that you can't Use

With the implementation of the nationwide lockdown, it is likely that you will have to give up on some of your services. A good example would be the monthly charge for your bike's parking spot at work or your gym subscription. It is, therefore, important to cancel all unnecessary subscriptions for services that you are not currently using.

#6 Create a Separate Account for Budgeting

If you find it difficult to manage savings and bill payments with a single account, open a new savings account dedicated to bill payments. This will make it easier for you to track your savings while using an organised approach to pay bills in full and on time. This method will give you a realistic idea of how much you should spend in the month keeping your savings in mind. It is important that you understand your average monthly expenditure to set aside a fixed amount. After doing this, you can set up a standing order to transfer

#7 Don't exhaust your savings

Your savings is your safety net. You had built it up to use in times of need. But ensure that you do not dip into your savings without a plan. Take out the amount that you need and have a plan to put back that amount as soon as possible. Because you may need to use your savings again in the future. Also, keep a check on the number of times you are using your funds. Do not overdo it simply because you have enough funds to help you survive for 6 months easily.

#8 Benefit from low interest rates

Interest rates are at an all-time low. The Central Bank slashes the interest rate to stimulate consumer spending to boost the economy. You can save some pounds easily if you refinance your debts or mortgage at a lower rate of interest. Or you may switch to a high interest paying current account rather than putting your money in a savings account.

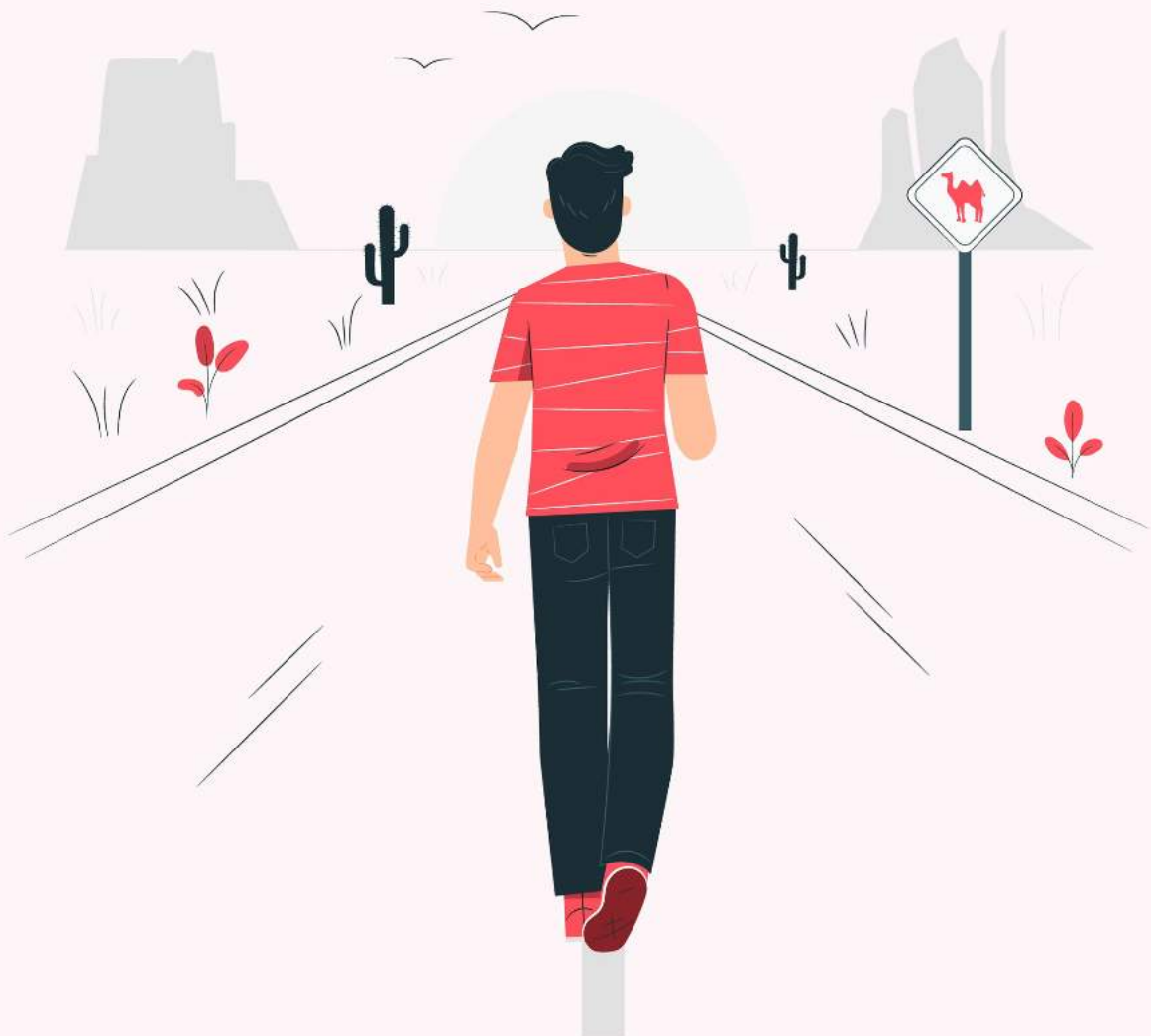
A plummeting rate is a blow for savers who have money sitting in their savings accounts. Also, you can switch from savings accounts to your property. If you have a flexible mortgage, you can choose to overpay to reduce the interest you will pay. It will also reduce the overall repayment period. But before that check your fine print and check with your lender for any extra charge that you have to bear for making overpayments.

If you have a personal loan that you are paying, you may not expect the price to fall as most of these financial products have a fixed rate of interest. However, it varies from lender to lender.

Sometimes, we sink deeper into our problems so much that it seems almost impossible to get a solution. We get a different perspective of our problem when we talk about it. Everybody is going through a rough phase right now. All we can do is become a support system for one another. There is nothing wrong when you talk about your money worries rather it magnifies your issues. That certainly leads us to find the perfect solution for it.

CHAPTER FOUR

WHAT DOES THE FUTURE HOLD?



CHAPTER FOUR

HOW LONG WILL IT LAST?

With a number of businesses incurring great losses due to the Pandemic, jobs have drastically reduced in the UK job market. A huge section of people has lost their jobs to Coronavirus, while others are witnessing pay cuts due to decreased working hours. This decrease in income will have a significant impact on consumption, thereby leading to a sharp fall.

From a global recession to adverse trade effects, experts have already prepared an endless list. The Bank of England has predicted a contraction by 30% overall, in the first half of 2020. Here are a few challenges that the government of the UK has to face in the coming years.

Not a Short-term Crisis

The virus is likely to circulate in the human population for a long-term. It needs drastic and major changes rather than short-term fixes. The government's economic response has been perfectly timed. Sunak has taken the right steps to support the economy.

Reopening may Trigger the 2nd Wave

Reopening of businesses and schools may trigger a second wave of infections. With so many people lacking immunity, the chances of the virus spreading faster also arise. If no strict measures are taken, the virus may start spreading again.

Difficult to Detect

The virus is difficult to detect as some people carry the infection asymptotically. There are chances that the person may infect others unintentionally. Monitoring the spread of the virus is another herculean task that has to be taken up by the government.

No Quick-fix

There is no quick-fix or easy solution to overcome the current situation. To control this pandemic, we can only rely on effective drugs. Any vaccine that may tone down the impact of the virus can also help at large. However, it may take years for such a drug to be developed.

SET THESE FINANCIAL GOALS FOR 2020

The job market of the United Kingdom had never looked this gloomy over the last 3 decades. As per reports, over 6 Million people have been furloughed. As the government is gradually reducing the support available through schemes, businesses are expected to pronounce a wave of redundancies. British households are expected to run up debts worth £6 billion as a result of the pandemic.

Since the beginning of the lockdown, nearly 4.2 million people had borrowed money using their credit cards, overdraft, or they chose a payday loan. The number may rise if businesses will continue to cut jobs.

The government showed quick and effective thinking in an attempt to rescue the economy. However, there are still a lot of people who lost their jobs and are unable to benefit from government-funded schemes. Until they receive the help they're entitled to, all they have, to rely upon, is their savings.

Almost 1 in 3 people, have savings of less than £1500, while approximately 9.05% have no savings at all. A whopping 40.93% of Brits, don't have enough savings to last for a month, without regular income. Of the people who actually have some savings, 35.6% have had to use a major chunk of their savings ever since the lockdown in March.

Given the current scenario, we encourage you to set an easily achievable yet robust financial plan to help fulfill your money goals during and after this pandemic;

1. Redesign your money goals

We all have different money goals and we put money in each of our pots according to our needs. Let's say you are putting a considerable part of your income as a deposit on your new home. Reset this goal and start putting more money towards your emergency fund.

A sudden change in the level of your income or employment are common events that we all expect during an economic meltdown. You need to be prepared financially if you find yourself in a similar situation. Relax, and sit down and take a closer look at your goals. Remember, a financial plan is not "one size fits all". Your goals may not need any changes. Understand your finances before taking any decision.

Precisely, you will have to prioritize your goals according to:

- The current situation of the crisis
- Your income and employment status

2. Probe into your Direct Debits

Auditing your direct debit will require you to put those blazing spending habits under scrutiny. Look for 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.

3. 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!

Now that you're a pro at smart buying, we bring LoanTube for smarter borrowing!

Compare loans from multiple lenders based on Real Interest Rates, to find your ideal loan, by just filling a single application.

4. 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.

Another hack is often known as 'Wombling', can come in handy even in the long run. Wombling simply refers to picking billing receipts of people who left them behind and using them resourcefully. You can scan these unused receipts and points to your shopping cards. After all, why waste points when someone may not even need them. This technique is popular among students and youngsters who're trying to use cash judiciously. If you don't fancy hunting for someone's discarded receipts, you can ask your friends and family to preserve their bills and hand them to you.

5. House-party Games and Zoom Quizzes

Video conferencing apps seem to have found their niche amidst the lockdown. Not only are corporations switching to these apps, but they're also equally 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. According to a survey held by The Deltic Group, on an average, Brits spend £70, on a regular night out.

6. 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.

7. 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.

8. 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.

9. 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!

10. Find a Side Hustle to make extra money

Many times, there are certain limitations on your job, which bind you to pre-defined daily tasks. This might hamper your personal growth. Besides, there should be a time in your schedule, dedicated to honing your skill-set outside of work. A side hustle is an activity that you can take up outside of your regular job, basically an alternate career. This can be a hobby that you've always wanted to pursue as a career option or a skill that you have mastered. For instance, you could become a blogger if you have a knack for it. Alternatively, you could try your hand at becoming an Instagram Influencer, if you like creating unique content for a rather diverse audience. Side Hustle not only helps you in gaining confidence in showcasing your skills to a diverse audience but also helps you in making some extra money with your skillset.

EPILOGUE

The government has set various measures in place to help businesses and employees sustain this situation. However, it goes without saying that 2021 will be a more cautious and risk-averting year, implying slower growth and lower inflation. A common coordinated approach with well-designed strategy is going to help us in the long run. According to the experts, this pandemic will last around for 2 years. Following the regulations to protect ourselves and others should be our top priority. The COVID-19 virus has brought i immeasurable human suffering that can be minimised gradually. As we find ways to keep ourselves occupied to get through this severe crisis, we urge you to be more open about your financial needs. Your financial instability can take a toll on your mental health. Therefore, it is important to take a reality check about your finances and address any issues. Since the leisure and recreational expenditure has dropped due to the pandemic, it is highly likely hat you may end up saving more money than usual. Keeping the money that you would normally spend aside and saving it for a rainy day, is a good start. This will help you look forward to things you could do once the lockdown is lifted. A financial imbalance is one of the major causes of stress among people during this pandemic. The recession that this crisis will bring is inevitable, but so is the growth in the economy once it passes. We cannot avert what's ahead of us, but we can walk through it together.