



EQinvestors

Managing your finances in difficult times

The sudden onslaught of the coronavirus pandemic has been a shock and is an unwelcome reminder that our plans can go awry in a flash.

With many of us stuck at home and earnings at risk, we are living in worrying and uncertain times. It's more important than ever to take steps to shore up your personal finances.

1 Have a safety net

Your first step should be to build up an emergency pot of cash that you can fall back on should you lose your job, see your income cut or face any unexpected costs.

Building up a cash reserve that you can use to support yourself is the best way to protect your family. Try to hold at least six month's expenditure in cash deposits so you can easily access these.

Shop around to find an easy-access cash account that is paying the highest rate of interest. The [Moneyfacts.co.uk](https://www.moneyfacts.co.uk) website can help you make the most of your money with unbiased comparison tables.

Tip: Always have some emergency cash in an account that you will be able to access, but not so easily that you are tempted to use the money for general spending.

This guide provides general information about financial planning and is not a personal recommendation. We are more than happy to answer any questions you might have. To speak to a qualified financial adviser please call us on **020 7488 7171** or email: enquiries@eqinvestors.co.uk

2 Control your spending

A good way to generate some extra cash each month, and get your finances as lean as possible, is to check you're paying the cheapest price for all your services and utilities.

Start with the big things, such as making sure you're on a competitive mortgage rate, which can save you hundreds of pounds each month. If you're on your lender's standard variable rate, then you'll be paying far higher interest than new deals would offer.

Once you've tackled this, look at direct debits or bills that have crept up in price.

If you haven't switched supplier or tariff for over a year there's a chance, you could be on a pricey standard variable tariff. Using an energy switching app like [Switchd](#) or [Uswitch](#) will help to keep you on the best available deal.

Always shop around for insurance such as pet, car, home and contents to get the most competitive rates for that year.

Tip: If you've come to the end of your mobile phone contract and want to continue with your old smartphone, a SIM only deal can bring down your bill considerably.

3 Review your debts

Your next step is to address your debts. Focus on using any spare cash to pay down expensive debt you have, such as credit cards or loans.

If your finances have already been affected by coronavirus there is lots of help you can get from the bank, from interest-free overdrafts to payment holidays on loans, credit cards and car financing. Be careful with the payment holidays though, as you'll still pay the interest so it can cost you more in the long term.

Make sure there are no penalties for repaying or overpaying these debts. If there is, consider putting money into a savings account specifically for repaying the debt when the penalty period ends.

Tip: Consider using the salary you would normally allocate to commuting to work, petrol, eating out, buying coffee etc. to repaying your debts quicker rather than spending elsewhere.

4 Don't lose sight of your long term goals.

You may be wondering if you'll be able to achieve your long term goals, when living through financial and economic volatility. It's important to control your expenditure so that you can achieve your plans and comfortably meet your eventual retirement

If you've had several different jobs, you'll probably have several different pensions – all invested with different providers and charging a range of different fees. Holding all your pension savings in one place generates economies of scale and administrative simplicity. There is also less danger of forgetting about old pensions.

If you have lost track of any of your pensions or you are unsure if you had one, try searching for the contact details via <https://www.gov.uk/find-pension-contact-details>. You can search by pension provider or by employer.

Tip: Check your pension 'expression of wish' forms are completed and up-to-date for each pension scheme.

5 Insurance protection

While it's never easy thinking about worst case scenarios, it's important to place a level of protection down for your family.

You should also consider what would happen if you weren't able to work through illness. Most employers will only pay your salary for a limited time, once this limit is reached you will be moved onto Statutory Sick Pay and eventually onto state benefits. [According to the Association of British Insurers](#), one million people unexpectedly find themselves unable to work because of poor health every year.

Do not be tempted to only insure the main earner in the family to save on the cost. Consider what would happen if the main caregiver were to pass away tomorrow. Who would look after your children in this event? Would the main earner have to take time off work? Would they have to pay for additional childcare? Ensuring that all of the family is covered by adequate life insurance will reduce this possibility.

Options available to you include:

Mortgage protection – ensures that your mortgage will be paid off on death. A mortgage protection policy is usually cheaper than a standard life assurance policy because the amount that is paid on death reduces each year in line with the outstanding balance of your mortgage.

Life assurance – also known as 'Term assurance' – this simply pays a lump sum on death and may be used to supplement any 'death-in-service' benefit provided by your employer.

Family income benefit – this provides a regular payment over a specified number of years rather than a lump sum. This type of policy is useful if you think your family will struggle to maintain their current lifestyle without your income and can be cheaper than a policy that pays a lump sum.

Tip: As a minimum, make sure your mortgage will be paid off on your death as this will likely be the biggest expense your beneficiaries will have to cover in your absence.

6 Take care of your mental health

Around one in four people in the UK have a mental health problem each year, [according to Mind](#), with worries around things like money, work and benefits making it harder for people to cope.

Our emotional and psychological response to any crisis is very natural and very human. It is normal to feel anxious about the coronavirus pandemic. Thankfully for many of us, there are lots of simple and practical things we can do every day to look after our mental health.

There are several free apps and online services dedicated to helping people cope in this uncertain time.

These include:

BoosterBuddy – the app is designed to help users get through their day, particularly if they live with a mental health condition.

#Selfcare – this app allows you to pretend that you're spending the day in bed, using soothing music, visuals, and activities to help ease you into a more restful state.

Talkspace – an online therapy app that provides extra support if needed

Tip: Be active – regular physical activity is associated with lower rates of depression and anxiety across all age groups.

7 Don't forget a Lasting Power of Attorney

With the advancements of medical science, many of us are living longer, but we're all susceptible to poor health. Accordingly, it is becoming increasingly common for one or more of us to need some form of care. To avoid this uncertainty and to allow greater control over who looks after your future financial affairs and wellbeing we have the option of a lasting power of attorney (LPA).

An LPA is a legal document that enables you to appoint someone to make decisions about your welfare, money or property, either now or in the future, during your lifetime

An LPA cannot 'work' until it is registered by the Office of Public Guardian (OPG) and this must occur whilst you still have the mental capacity. You can make this online in the current circumstances at: <https://www.gov.uk/government/organisations/office-of-the-public-guardian>. They are continuing to provide LPA services, and this includes processing and registering of LPA's.

There are two types of LPA: 'Property & Financial Affairs' and 'Health & Welfare'. The former can set out the powers you give to your attorney over your property, the control of your investments, bank accounts and can include claiming benefits. The second gives your attorney power over medical treatment, care, diet and dress. It is possible to have one or both elements for an effective LPA.

Tip: Save time (and money) and set-up an LPA up at the same time as your Will.

Coronavirus - government help

If you are worried about your finances and how you are going to make ends meet, there is help available. The latest government updates on all aspects of Coronavirus including information on financial support available can be found at www.gov.uk/coronavirus



8 Watch out for scams

Fraudsters often use the latest news developments to lure investors into scams. The world has changed in unprecedented ways in the last several weeks due to the coronavirus pandemic. While it has brought out the best in humanity in many ways, as with any crisis it can also attract the worst in some.

Some scammers have impersonated the World Health Organisation, while others have masqueraded as health authorities in other countries. These scams take many forms and could be about insurance policies, pensions transfers, or high-return investment opportunities, including investments in coronavirus treatments.

Scammers are sophisticated, opportunistic and will try many things to persuade you to disclose personal or financial information or click on links that may contain malware.

We urge you to be wary of these promotions, and to be aware of the potential for fraud currently.

Tip: If it seems too good to be true, it's probably a scam. When in doubt, ask for identification and or ask for a number to call back on so you can make sure it's a genuine call. Never give out your personal details to anyone either over the phone, email or in person.

9 Important documents

Many of us are likely to have drawers or boxes full of important estate-planning documents – such as wills, trusts and power of attorney. So, where do you keep them safely secured? And what about your digital assets and passwords?

Ensuring your family knows about your estate and other documents, and where to find them, is key. Life insurance policies, divorce records and property deeds are some of the other physical documents that should be safely kept.

There are also online options available to organise this data in one place and provide a digital “key” to loved ones.

Tip: EQ Investors offers an encrypted vault where you can store financial documents and share them more securely.

10 Staying calm and invested

Over the coming weeks and months, you're likely to see the value of your investments go up and down. Stock markets have fallen significantly, risen again and are likely to remain volatile for some time to come.

However, the key is to not panic about weekly or even monthly changes in the value of your investments. Investing should be for the long term (at least five years or more) and, while not guaranteed, over the long term the general trend in stock markets is upwards.

If you make a panic decision and sell your investments now, you'll have turned the loss you have on paper into an actual loss – you'll only get the value of your investments now and you won't benefit from any subsequent recovery of the stock market. Although there are no guarantees, if you leave your money where it is, your investments at least have a chance of recovery over the next few years.

Tip: If you've incurred any capital losses these should be recorded so you offset against future liabilities and ensure you have maximised tax efficient funding such as ISAs, EIS and VCTs.

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