

A photograph of a man in a dark jacket carrying a young child on his shoulders. The child is wearing a pink sweater and blue pants. They are outdoors with trees in the background. The man is smiling and holding the child's hands.

Money management tips for your customers

Help your customers to build some financial resilience with StepChange Debt Charity

Problem debt can happen to anyone...

- Over the last 25 years we've conducted a vast amount of research into problem debt
- Our data suggests that **the public still often view debt as a personal failing**, rather than a result of difficult circumstances, or what we call an 'income shock'
- No matter what steps people take to protect themselves against problem debt, **sometimes it's unavoidable**
- These guidelines should help your customers **to build some 'financial resilience'**



What is financial resilience?

The dictionary definition...

“Financial resilience is the ability to withstand life events that impact one's income and/or assets. Some financially stressful events, such as unemployment, divorce, disability, and health problems affect people individually.”

In other words, it's the ability to get through some of life's most difficult and unexpected challenges, while avoiding falling into problem debt.

How can a customer build financial resilience?

Sometimes, problem debt is unavoidable but there are some key steps your customers can take towards becoming more financially resilient...



Ask them to create a monthly budget



Nudge them to maximise their income



Help them find ways to minimise their spending



Advise them to build an emergency fund



Give them tips to avoid credit and save instead

1. Ask them to create a monthly budget

Step 1. Ask them to calculate their total income

Tell the customer to add together all of the income they get each month including everything, whether it's wages, benefits or pensions. If some of their income is paid weekly or 4-weekly, they'll need to turn these figures into calendar monthly ones. To do this they must multiply the weekly figure by 52 and then divide this by 12. This will give them a calendar monthly figure to include in their budget.

Step 2. Ask them to make a list of everything they spend each month

They'll need to include amounts for things that you only pay for once a year or less often, such as Christmas, car repairs or vets bills. To do this they need to divide the yearly cost by 12, to get a monthly figure to include in their budget. They can then set this money aside until their bill is due. If they're not sure what they're spending your money on, they should try writing a list of everything they buy over a month to get a clearer idea of their spending.

Step 3. Then they should deduct the total amount they spend each month from their monthly income

If they've got any money left over after they've paid for everything they have a 'budget surplus'. If they're spending more money than they've got coming in they have a 'budget deficit'.

2. Nudge them to maximise their income

Even if it's just by a small amount, increasing their income can make big changes to a customer's situation.

After completing a budget it's worthwhile to nudge them to investigate ways they might increase their income. Bringing more money in can often seem a lot easier said than done, but in many cases it's possible.

- **Check their entitlements** – ask them to make sure they're claiming any benefits they might be entitled to
- **Consider a second job** – could they work some extra hours?
- **Check your tax band** – they should check they're not overpaying
- **Ask for board** – if they have any grown up children at home
- **De-clutter** – they should try taking their clutter to a car boot sale or selling it online

3. Help them to minimise their spending

Even if it's just by a small amount, cutting back on their spending or finding cheaper deals can make a big difference to a customer's budget.

Are they paying more than they should for some essentials?

- **Utilities**
Consider switching suppliers
- **Telephone, mobile and internet**
Can they switch to a better deal?
- **Meals at work**
Could they take food to work?
- **Transport**
Can they use public transport?
- **Food, toiletries and cleaning**
Do they shop around for offers?
- **Clothing and footwear**
Could they buy more second-hand?
- **Prescriptions**
Can they get a pre-payment certificate?
- **Non-essentials**
Could they cut back on non-essential spending?

4. Advise them to build an emergency fund

Sooner or later, some emergency or unexpected expense can catch anyone off guard. It could be anything from the car packing up to losing a job.

It's important for people to put some money aside in case of an emergency. Having a small amount of emergency savings can provide some effective protection against a debt problem. In other words, an emergency fund can help to stop the need to use credit to pay for unexpected expenses.



Ask the customer to determine how much they can afford to save according to their monthly budget



Advise them to open a separate account and start putting their emergency fund together, aiming to save at least £300 per year

5. Save up for larger purchases

We all need to make larger purchases from time to time, for example an essential home improvement, or a new car. It can be tempting to turn to credit but it's good for customers to avoid that where they can:



Advise that they save up for larger one-off purchases



If they need to use credit, ask them to consider a low cost option



Advise that they apply for loans with a reasonable interest rate, and avoid short term high-cost credit

Having less debt will make it more likely that they'll be able to cope if they experience an income shock in the future.

Key takeaways

- It's important that customers **try to build financial resilience**, and take sensible steps to avoid debt problems
- However, it's really important to remember that **some problem debt is unavoidable** – most people couldn't cope financially if they were suddenly ill or unemployed
- **Always recommend that a customer makes a budget, as it can really help them manage their money** and become more aware of their spending
- **Encourage them to around for the best deals** and reduce their bills - StepChange's [MoneyAware](#) blog and email newsletter can help
- If a customer is worried about money they can visit our website to get online debt advice and create a budget

Find out more

>> Visit MoneyAware

We provide money-saving advice and support online through our blog MoneyAware. Sign up to our monthly email newsletter to stay informed about the latest money and debt news.

>> Get online debt advice

We offer free, anonymous debt advice online through our online debt advice tool. This can help you identify if you have a debt problem, and offer a solution.





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