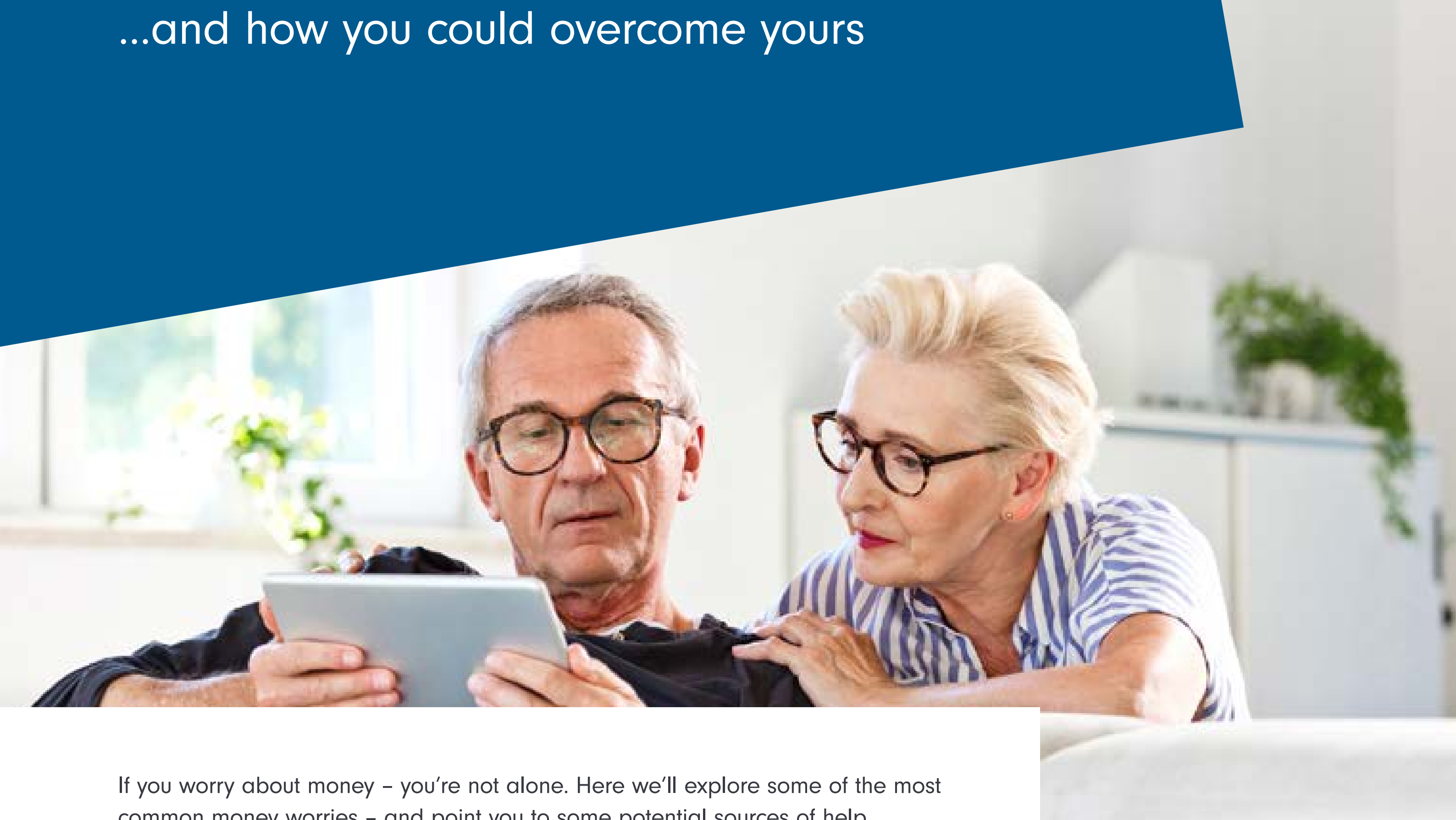
Exploring money worries…

…and how you could overcome yours



If you worry about money – you're not alone. Here we'll explore some of the most common money worries – and point you to some potential sources of help.

Coping with anxiety or other health challenges

Please note: this is a guide about general financial worries. So, if you're struggling with depression, anxiety, or another condition, please ask your doctor for advice in the first instance. They will direct you to an appropriate support service. The NHS also provide general advice for coping with financial worries.

Looking for obstacles before they crop up

Of course, none of us wants to 'just cope' with our money worries; we want to overcome, or at least reduce, those worries where we can. We need to know how to approach our money challenges, and it turns out that the best way is often the same for any significant life goal: we need to look for the obstacles in our way.

Positive thinking (hoping for the best or visualising a better future), on its own, does not tend to deliver good results – and can even make things worse for those who most need help. So, we need another way to take more control of our money, our health or anything else that matters in our life. And one way, suggested by psychologist Gabrielle Oettingen, involves a four-step thinking process known as 'WOOP':

W Start with a **'Wish'** about what you want to change in your life.

O Think about the best **'Outcome'** possible and how you'll feel when you achieve that outcome.

O Consider what **'Obstacles'** could stop you from doing what's necessary for that outcome.

P Develop **'Plans'** for your actions when those obstacles appear.

Here's an example…

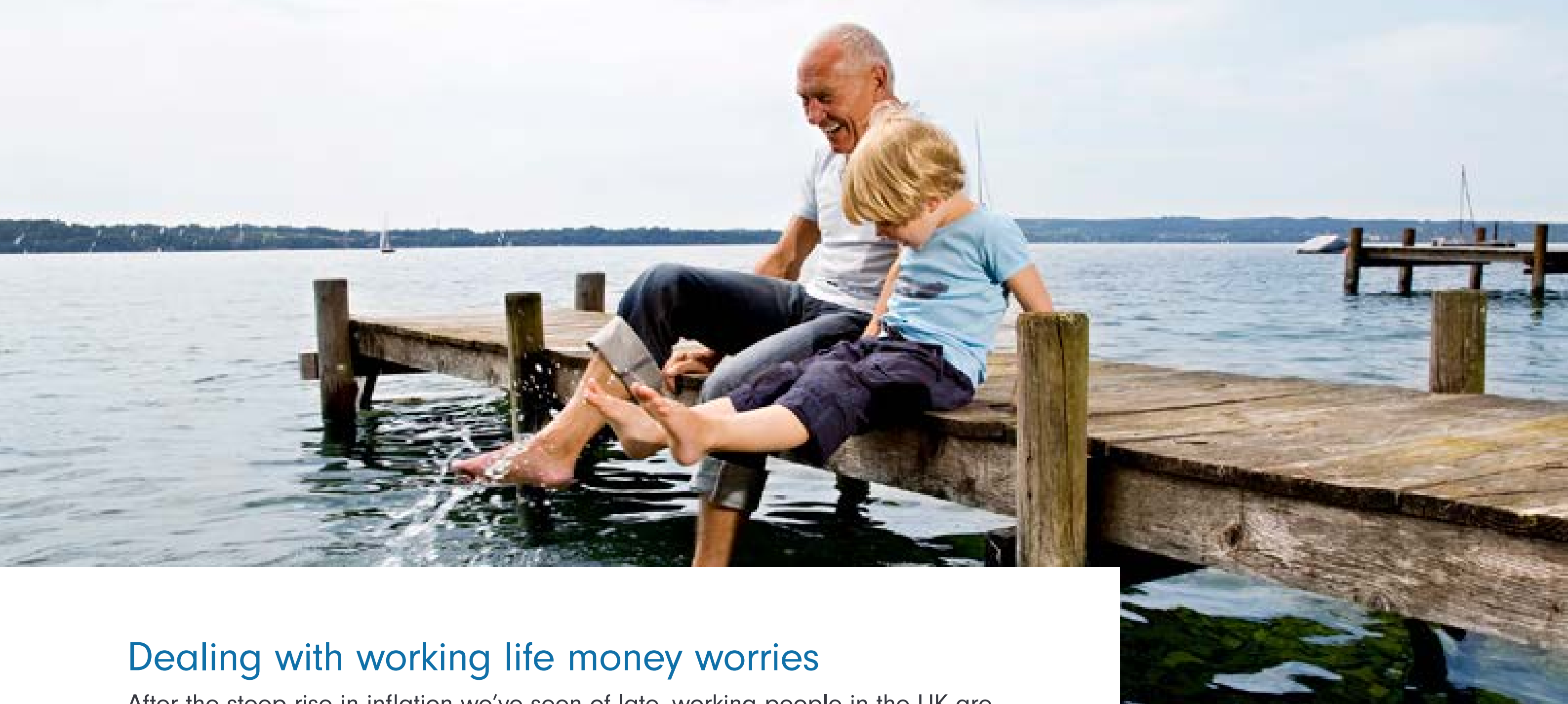
Let's say you **wish** to save a substantial sum of money – for a holiday of a lifetime or to help a child through university. A big obstacle to achieving that goal could be a habit of regular shopping with friends when you buy things you don't need.

In this case, your **plan** (when a friend suggests the next outing) might be to tell them about your special life goal – and any good friend will want to support you in achieving that. You might still go on the outings but agree to 'sit out' the shopping part. Or, perhaps you'll all agree to make fewer shopping trips and take more country walks instead.

The 'WOOP' approach differs from traditional positive thinking by encouraging you to look for (not avoid) the **obstacles** to success when you start any project. This way, you know what you'll do when the obstacles crop up – as they surely will. Of course, the obstacle might be that you don't have the expertise to explore your options on more complex money questions – about financial planning, investing, mortgages and pension planning, for example.

So, this is an enormous obstacle because, as other research shows, we need vastly more motivation to engage with a life challenge if we don't feel competent in that area. This is where expert help from a financial adviser is invaluable.

Keep the 'WOOP' process in mind as we explore some money worries and how you might approach them.



Dealing with working life money worries

After the steep rise in inflation we've seen of late, working people in the UK are generally more worried about money than anything else – including their workload, career, work-life balance, mental health, physical health and relationships. From various research[1], we know that:

- Almost a quarter of working people worry about money every day, and nearly 60% worry about it weekly or more frequently.
- Nearly 1 in 5 workers regularly run out of money before payday, and almost 10 million borrow money to buy food or pay bills.
- Most people understand the importance of long-term saving, but very few are comfortable with their current levels of savings.
- Around half of us don't feel confident about managing our money day-to-day.
- Those in a poor financial situation are around four times as likely as others to suffer from depression or anxiety.

What's clear is many of life's challenges come from poor financial health.

Money worries don't only affect those on low incomes, either. Higher earners, and those with accumulated wealth, tend to invest more of their money. And some may feel stressed about their investments at various times – when stock markets are volatile, for instance.

The truth is few people avoid money worries. It's stressful to consider declining wealth or running out of income when we don't know what to do about it. That's why seeking expert advice can be so valuable (you will normally pay a fee for financial advice). So, we'll explore different types of money worry and how you might deal with each. We'll take these in priority order.

1 Deal with your priority bills first

Not paying money owed on your priority bills (council tax, utility bills, mortgage or rent, child maintenance, or hire purchase payments – on essential items) can have serious consequences. There are many free debt helplines available that can give you professional help and guidance.

2 Pay down expensive debts

If your priority bills are under control, you may want to consider paying down other 'expensive' forms of debt, including personal loans, credit and store cards, and even payday loans. Remember, you'll typically pay much higher interest rates on these loans than on a mortgage. So, do what you can to pay down expensive debts and keep them down. Cutting out the waste of money on interest charges will help to reduce your worries.

There's some psychology to consider here too. It may help to break a debt cycle if you build (or re-build) your emergency funds before you start paying down expensive debts. That way, you avoid taking on more debt when unexpected expenses arise – like repairs to your car or your home.

Also, if you have more than one expensive debt, it turns out that the logical way to repay them doesn't work best for everyone! For example, some people find it easier to pay off their smallest debt first (even if it's not charging the highest interest rate) to get that feeling of making progress.

3 Cut the interest cost on your debts

Cutting the interest cost on any loans you have is a good way to reduce your money worries too. Remember, the credit card and loan market is competitive and constantly changing. So, if your credit rating has improved since you last opened a credit account, you may find you can access a lower-cost loan now.

Online comparison sites can help you check if you qualify for lower-cost loans or a new credit card that won't charge you interest for a period. Remember, a 0% card is not free if it charges an upfront fee. Also, those cards are not available to everyone – and the credit limit might not meet your needs.

Some employers also offer low-cost loans with repayments deducted from pay. Some of these loans are highly competitive, but, if available, you should still check if it's the best deal for you.

4 Claim the help you're entitled to

Most people are surprised that some state benefits are available to higher-income earners. This may explain why millions fail to claim thousands of pounds in state benefits each year. It's hard enough to cope with the cost of living and repay expensive debts without being unnecessarily short of income. So, be sure you claim your entitlements.

5 Keep your mortgage under review

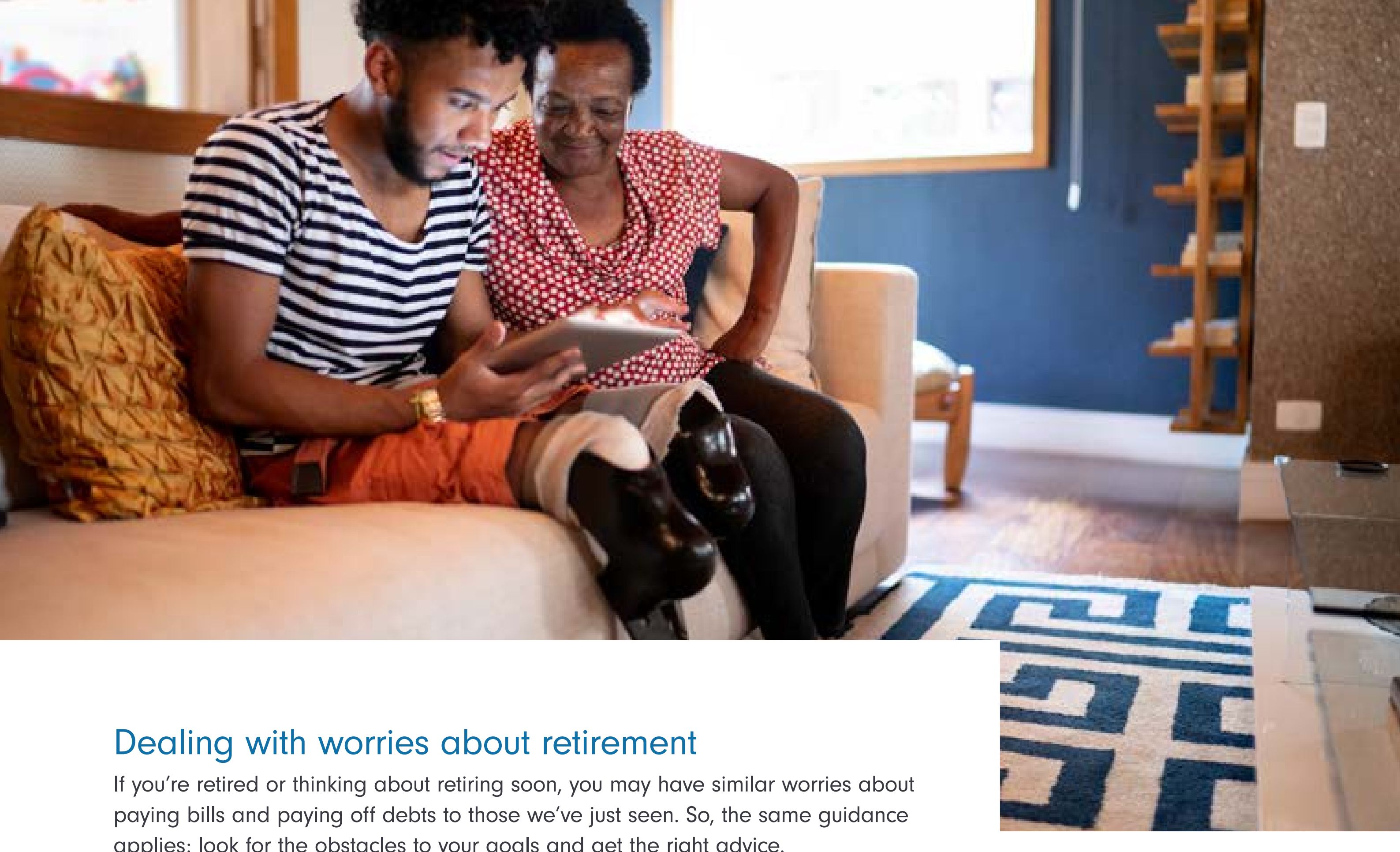
If you're worried about high-interest charges on your mortgage now or in the future, consider talking to a good mortgage broker (or your financial adviser if they offer this service). They should be able to help you explore your options for reducing or capping those costs.

Also, if you can afford to overpay your mortgage, you might worry about whether it's best to do so or if you should invest that spare money (into your pension, for example) instead.

Again, an adviser will help you explore those options and ensure you avoid unnecessary charges on any extra repayments you make.

6 Save and invest for your future

Finally, for working people, if you're in a position to save or invest for your future, you might worry about which strategy or products and funds to choose. There is, after all, an enormous choice. This is where a financial adviser can help – a crucial part of their role is to help you understand your financial choices and make good decisions.



Dealing with worries about retirement

If you're retired or thinking about retiring soon, you may have similar worries about paying bills and paying off debts to those we've just seen. So, the same guidance applies: look for the obstacles to your goals and get the right advice.

Even without those worries, you might, understandably, be concerned about how you'll live off your pension and savings after your earned income stops. Research[2] shows that:

- Nearly half of Britain's retirees fear running out of money at some point.
- A third (about 4 million) believe they'll need to downsize their home to get by.
- A quarter (about 3 million) hope for an inheritance to boost their pension funds.
- One in six are planning to return to work – on a part-time basis, at least.
- More than half expect to spend less in their later years.

Either way, the data shows significant levels of money worry among retirees – and that's understandable when retirement can last for 25 years or more. So, it helps to have a clear picture on the income you'll need in retirement – and have clarity on where that money will come from.

Of course, the amount of income you'll need in retirement will depend on your unique circumstances, the lifestyle you want, your health and the situation of anyone you live with. In addition, you might decide, for instance, you want to spend more money in the early years of retirement to travel the world while still young and physically able.

The Pensions and Lifetime Savings Association have published some research which might give you a rough idea of the income you'll need for a minimum, moderate or comfortable retirement.

	Minimum	Moderate	Comfortable
Couple	£19,500 a year	£34,000 a year	£54,500 a year
Single	£12,800 a year	£23,300 a year	£37,000 a year
What standard of living could I have?	Covers all your needs with some left over for fun	More financial security and flexibility	More financial freedom and some luxuries

These estimates are drawn from the 'Retirement Living Standards' research of the Pensions and Lifetime Savings Association and are updated annually.

Whatever the shape of your spending in retirement, it will help to model those cash flows with a financial adviser – to check that your funds can sustain your income throughout your life.

What else might you worry about?

We've touched on many 'money-worry' topics in this guide. However, there's another crucial question that most of us don't think about enough. And that's about what will happen if you, or your partner, if you have one, fall seriously ill or die unexpectedly?

You may therefore wish to consider getting advice on estate planning, making (or updating) your wills, setting up a Power of Attorney, leaving your finances in good order (for someone else to manage them when they need to) or boosting your income, if you need to, by, for example, downsizing your home.

If required, it's also sensible to check you have enough life and ill-health insurance in place – to provide for your loved ones or enable them to look after you if need be.

A financial adviser can help you deal with all these things.

When making decisions about investing, we recommend that you always consult with your adviser (you will normally pay a fee for financial advice). As you will be aware, they work with you to understand your needs and then offer broad-based advice to help you achieve your long-term goals.

1. Data is drawn from various surveys conducted by the Money Advice Service, Office for National Statistics (ONS) and various financial service providers, including Salary Finance, Wagestream, UBS and ABRDN.

2. Data is drawn from various sources: The abrdn 'Class of 2022' report. ONS 'How are financial pressures affecting people in Great Britain?' Wagestream's 'State of Financial Wellbeing' report. Salary Finance's 'Wellbeing' report.