



*Manage your money  
and achieve your financial goals*

# **Sorting Out Your Finances**

FOR  
**DUMMIES®**

**2nd Edition**



**Melanie Bien**

*Author of Renting Out Your Property For Dummies*

**A Reference for the Rest of Us®**



**UK Edition**



***Sorting Out  
Your Finances***

FOR  
**DUMMIES®**

2ND EDITION



# ***Sorting Out Your Finances***

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**DUMMIES®**  
2ND EDITION

**by Melanie Bien**



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Her other books include *Buying a Home On a Budget For Dummies*, *Buying and Selling Property For Dummies*, and *Renting Out Your Property For Dummies*. She lives in North London with her husband.





## ***Dedication***

To my husband, brother and parents, for all your support, enthusiasm, and endless encouragement.

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# Introduction

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**W**elcome to the second edition of *Sorting Out Your Finances For Dummies*. If you're struggling to clear your debts and build up your savings and investments for the future, you need some sensible tips to help you realise your goals. This book provides all the help you need to enable you to get your debt under control – and start saving for the future.

## About This Book

Although these pages are overflowing with useful advice and information, I present it in a light, easy-to-access format. This book helps you decide where your priorities lie when it comes to your finances. I cover debt and how to clear it, and give tips on finding the best savings account so that when you've got some cash you can ensure it works as hard as possible for you. I offer some hints on picking the best investments for building up a nest egg or for a specific outlay, such as buying a car or paying for a holiday. Just as important, this book helps you maintain your sense of humour – as well as your sanity – as you deal with financial challenges.

## Conventions Used in This Book

To help you navigate through this book, I've set up a few conventions:

- ✓ *Italic* is used for emphasis and to highlight new words or terms that are defined.
- ✓ **Boldfaced** text is used to indicate the action part of numbered steps.
- ✓ `Monofont` is used for Web addresses.

## What You're Not to Read

I've written this book so that you can:

- ✓ Find information easily and
- ✓ Easily understand what you find.

And although I'm sure you want to pore over every last word between the two yellow covers, I actually make it easy for you to identify 'skippable' material. This is the stuff that, although interesting and related to the topic at hand, isn't essential for you to know.

- ✓ **Text in sidebars.** The sidebars are the shaded boxes that appear here and there. They share personal stories and observations, but aren't necessary reading.
- ✓ **Anything with a Technical Stuff Icon attached.** This information is interesting but not critical to your understanding of sorting out your finances.
- ✓ **The stuff on the copyright page.** No kidding. There's nothing here of interest unless you are inexplicably enamoured by legal language and reprint information.

## ***Foolish Assumptions***

In this book, I make some general assumptions about who you are:

- ✓ You want to tackle your finances but you don't know the first place to start. You're wondering whether – just maybe – it might be possible to get out of debt once and for all. Perhaps your friends are no longer talking about overdrafts and credit cards but are saving for a deposit for their first home, a new car, or to start a family. You may be worried about being left behind or are simply embarrassed by your spending habits and are ready for things to change.
- ✓ You hope to get information on how to start saving for the future – you want to know the pros and cons of pensions, or buying property, or toying with the stock market – or all three.
- ✓ You want easy-to-understand information that explains what you need to know about your finances, but you've got better things to do (like sleeping, participating in your favourite leisure activity, or even relaxing on holiday) than become an expert on annuities and derivatives. In other words, you want to get it right while you retain control over your life.

## ***How This Book Is Organised***

*Sorting Out Your Finances For Dummies* is organised into five parts. The chapters within each part cover specific topic areas in more detail. So you can easily and quickly scan a topic that interests you, or troubleshoot the source of your latest major headache!



## ***Part I: Organising Your Finances***

The chapters in this part help you take stock of your financial goals. This part helps you figure out whether you need to use an independent financial adviser to help you organise your finances and, if this is the case, how to select one who's qualified and suitable for the task. I cover making sure you've got the best current account for your needs. This part also includes everything you need to know on insurance, so that you, your family, and your belongings are covered in case the unexpected happens.

## ***Part II: Dealing with Debt***

There's not much point starting to save and build up your investments until you've cleared expensive debts, such as unauthorised overdrafts, credit cards with high rates of interest, and uncompetitive personal loans. In this part, I give you the lowdown on debt and how to get out of it. I guide you through all you need to know about choosing the cheapest overdraft, the special deals providers offer on credit cards, and how to shop around for the most competitive personal loan. I also highlight the dangers of store cards and loan sharks so that you don't get into further difficulty.

## ***Part III: Building Up Savings and Investments***

This part takes you from putting aside a little cash to tide you over in an emergency to building up serious investments for the future. I look at tax-free savings and investments, and why you'd be mad not to take advantage of these. I cover understanding risk and how to ensure you don't take on more than you're entirely comfortable with. And if you fancy the thrill of investing in shares, I include plenty of tips to get you started. I also address choosing a mortgage and making sure you can raise enough cash to get on the property ladder.

## ***Part IV: Taking Care of the Future***

With a decreasing amount of state help available in retirement, you need to start investing as soon as you can afford to do so to ensure you have a comfortable retirement. In this part, I look at the various options available – from occupational and personal pensions, to

property or other investment products, such as individual savings accounts. I also include guidelines on coping financially in retirement and ensuring your money stretches as far as possible.

## *Part V: The Part of Tens*

Here, in a concise and lively set of condensed chapters, are tips to make the difference between a prosperous future and one where you struggle. In these chapters, I give you tips on getting out of debt, coping with events life may throw at you, and the golden rules of sorting out your finances.

## *Icons Used in This Book*

Scattered throughout the book are icons to guide you along your way and highlight some of the suggestions, solutions, and cautions of sorting out your finances.



Keep your sights on the target for important advice and critical insights into the best practices in saving, investing, and clearing debt.



Remember these important nuggets of information and you'll stand a better chance of achieving your aims.



This icon highlights the landmines that you need to steer clear of.



Prepare for brain strain when you read these bits – and impress your friends with what you know.



This icon highlights the real-life anecdotes from years of experience and mistakes, made by myself and friends, when tackling our finances. While we should learn from our own mistakes, it's even better to learn from others' – and I share some of them with you here.

## *Where to Go from Here*

This book is organised so that you can go wherever you want to find complete information. Want to know what information is on your credit file? Head to Chapter 6. If you're interested in writing

your will, go to Chapter 15. You can use the table of contents to find broad categories of information, or use the index to look up more specific things.

If you're not sure where you want to go, you may want to start with Part I. It gives you all the basic information you need to get started in establishing your financial goals and points to places in the book and beyond where you can find more detailed information.



# Part I

# Organising Your Finances



'It's nothing to do with the full moon — he always goes through a change when he tries to reorganise our finances.'

## *In this part . . .*

**B**efore you sort out your debts and investments, you need to get the basics in order. In this part, I guide you through the process of establishing your financial goals and how an independent financial adviser can help you reach them. I include hints on choosing an adviser and the qualifications to look for.

I also give you tips on choosing the best current account for your circumstances, and making sure you've got enough insurance in place to guard against the unknown.

If you're thinking about getting your finances in order, but are not quite sure where to begin, this is the part for you.