

RED LETTER DAYS

We are facing the biggest economic crisis since World War Two, but never have so many owed so much for so long. **AMANDA BLINKHORN** asks what will it take to make us stop shopping?



Food and fuel costs are rising twice as fast as our salaries and every 14 minutes yet another family will lose their home because they can't afford the mortgage or rent. The facts are stark and with the Citizens Advice Bureau reporting around 9,500 new debt problems every day,

it's obvious that we either can't or don't know how to live within our means, especially when situations change.

A survey of 2,000 UK families by Skipton Financial Services showed the average family of two parents and two kids needs a net income of

£24,600 a year just to get by. It also revealed that on average, families spend over £3,000 a year paying off credit cards and loans, saving just £86 a month. To fund that kind of lifestyle, UK families would have to

earn £32,000 a year, which is fine if both parents are earning a full-time salary, not so great if you are trying to survive on one average full-time salary of £26,244 (which was the 2011 average UK salary according to the Office for National Statistics).

Financial expert Alvin Hall, who presented family finance shows like BBC2's *Your Money Or Your Life* and is the author of *Show Me the Money*, described the outlook for families and the country as "terrifying" – with, he predicts, more personal and corporate bankruptcies on the way unless people change the way they view their finances.

"In the past families were happy to just admire posters of their favourite stars, now they want their handbags, their shoes and all the trappings of their celebrity lifestyle. People have come to view all these things with a sense of entitlement. They think, 'I've done X, Y and Z in my professional career, now I live in this neighbourhood and I'm entitled to this lifestyle!'"

But, he says, this is dangerous as, when circumstances change, we then constantly refer back to what we had – not only expecting to have it again but feeling entitled to it.

"When credit cards first became widely available, people embraced the idea of the minimum payment," and delayed gratification went out of the window," he explains. "The words 'minimum payment' are so seductive that when people focused on those words, debt became part of how to fund a lifestyle."

That, he believes, was when debt first started to become a way of life

rather than a shameful burden to be avoided at all costs, as it had always been considered in the past. Alvin goes on to say people often confuse credit with choice, when in fact the opposite is true.

"Debt takes away freedom and it also takes away choice," he explains. "But today, parents are so afraid of disappointing their children that they spend money they don't have just to keep them happy. Perhaps they think their children will not love them unless they give them what they demand?"

What parents forget, he says, is that a child's priority is safety and

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stability, and that putting your home or your income at risk simply to fund a lifestyle you cannot keep up is not only irresponsible but also dangerous. If at some point parents lose control of their finances, they risk losing absolutely everything.

Single mum Elaine Colliar, 42, learnt this in the hardest of ways. She lost her livelihood, £400,000 in property and very nearly her home near Fife in Scotland in the credit crunch. While working as a stage manager in London she gradually climbed the property ladder. She started with a two-bedroomed flat in Bethnal Green and by the time

she moved back north to her native Scotland to bring up her sons, she was running 22 different properties – but they were on one precarious line of credit. So when the world's credit crunch came along in 2008, her bank decided she was no longer a safe bet and it called in her debts.

"What people don't realise is that a bank can call in your mortgage or loan at any time – they call it a 30-day Wonder," she says.

Elaine was given a mere 30 days to repay £1.2m in mortgages, and consequently lost everything except the home she was living in.

In a short space of time she went from being an independent woman with her own little red sports car, nine-year-old son James at a private Montessori school and Baby Gap-clad son Rowan, to a single mum on benefits.

"It was almost overnight – I had 7lp and three nappies," she says. James, now 11, moved to the local state primary school, the nice shiny Mazda MX5 sports car was changed for a Vauxhall Astra, and her salon haircuts were replaced with DIY colour kits bought in bulk from a local car boot sale.

The only way she could keep her family home was to take on a debt of £10,000 and continue to honour her monthly mortgage payments. "I had £800 a month in benefits and out of that I had to pay £230 on the mortgage and £270 a month on the loan," she says. Amazingly, not only did she survive on that amount, she paid off her £10,000 debt within two years by feeding and clothing both herself and her sons, running the ►

car and paying all her household bills on just £300 a month.

With her boys still so young, she knew getting a job wouldn't work. "I was in rural Fife, so any job I got would be minimum wage and all my money would go on childcare," she says. Drastic measures were called for, so she scrutinised every bill, changed suppliers for all her utilities and started using a mini oven on her counter instead of her main oven. She baked her own bread, used Approved Food (a cheap online source of staples with a short shelf-life) and literally watched every penny.

"Most people don't know where all their money goes. They don't run their personal finances like you would run a business," says Elaine who has a spreadsheet for everything and can tell you to the last penny what she spent on food last year. "It was £174 at Approved Food, and that covered pasta, rice, pulses, tinned tomatoes, couscous and bread mixes. Apart from that, on average I spent £16.80 a week on food from 1 January 2010 to 1 January 2011," she says. "I'd take out a £20 note on Monday morning

and use that all week for food – and whatever was left at the end of that time I would pay back into the bank in order to pay off the debt, whether that was 18p or £3.20, and then I'd start again on Monday with another £20." Apart from the psychological boost of having some money left at the end of the week, it gave her a perverse pleasure to force the bank to process lots of small amounts of

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cash. "I used to think it'd cost more to process the transaction than the amount I paid in each time – it was my way of getting revenge!"

And it worked. Instead of getting takeaway pizza for her and her sons, she made her own with bulk-bought bread mix, passata from Lidl, fresh tomatoes from her garden and a bit of mozzarella cheese. "Instead of

paying £8 for a takeaway pizza I could make three for 87p, or £1.20 if you wanted to go all out and have the stuffed crust version – I just used Cheesestrings," she reveals. "So

Saturday was still Pizza Night, I just found cheaper ways of doing it."

Elaine's ingenuity and thrift is the sort applauded by Hunter Davies, writer, broadcaster and Beatles biographer who grew up in the 50s when, following the financial crisis of World War Two, rationing was still in place and goods were not just unaffordable but unattainable.

"Everyone used to make do and mend," he says. "My father used to repair my shoes – he was useless at it, but it was just what everyone did." He hasn't yet noticed

the return of family cobblers, but he does believe the spirit of 50's frugality is returning to some extent. "People are scrimping and saving," he says. "The difference today is that people no longer avoid debt the way they did. It used to be shameful to be in debt, but credit has changed all that – now you see young people who are permanently in the red."

The world is divided into the rich and the poor as never before, he believes. "We never knew the word 'deprived', because everyone was in the same boat," he says. "We were simply brought up to be incredibly careful with our money."

Alvin Hall agrees that being able to live within your means requires a certain state of mind. "A complete change of mindset is required," he explains. "Until people are able to shake off the notion that they are perfectly entitled to live in a certain house, in a certain neighbourhood and shop at certain stores, they will never be able to free themselves from debt." He adds that parents

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SO WHERE DOES ALL OUR MONEY GO?



Elaine Colliar spends £16.80 a week on food for her family of three. Candis writer Amanda Blinkhorn (left), 47, mum to Ella, 18, Cleo, 16, Jack, 10, and Katy, 7, lives in London. She compared her average week's spend

MONDAY The older girls need £3 a day for lunches, so that's **£30**. Ella comes home for lunch with two friends so that's **two £1.99** pizzas. I spend **£27.40** on a supermarket shop, but I do hunt down a £4.99 bottle of wine (half price) and three £2.20 bangers and mash for a fiver – cheaper than a £4.20 packet of sausages and a £1.20 bag of potatoes – and it has gravy!

TUESDAY Run out of milk and bread so go to the corner shop and spend **£8** on a £2.29 packet of bacon and a two for £2 fruit juice deal as well. Lunch for the children is taken care of and I have banana cake made with old bananas. Dinner is a takeaway with a friend who is housebound. We split the **£12.20** bill and I give her some **£5** tulips.

WEDNESDAY Buy lemon water and a muffin (**£1.20** and **£1.59**) so Katy can survive ballet without "starving to death". Dinner is spaghetti Bolognese and salad from Monday's shopping.

THURSDAY Little ones have football and music after school. Make each a sandwich but buy two **£1.20** bottles of water. Ella back for lunch – jar of

£2.39 pesto from shop plus ice cream for **£4.20**. Dinner is chicken pie with mash and veggies from the freezer. Need more milk, **£1.39**, a **£1** bar of chocolate and dishwasher tablets at **£3.99** for 13 – nearly 35p a wash!

FRIDAY Buy dog food, **£3.75**. Have home-made carrot and coriander soup for lunch. Another supermarket shop comes to **£26.04**, for ribs (two for £5), a gammon joint, chicken drumsticks, veggies and a bag of Skittles. Dinner is marinated ribs and pilaf rice. Friends arrive and we buy wine, hummus, French bread and chocolate for **£12**.

SATURDAY A 'proper' supermarket shop sets us back **£120**, but have got things we already had and forgotten basics like bin bags and fruit juice. Take the little ones to McDonald's for lunch, **£7.50**, then go to a museum. Dinner is gammon and roast potatoes.

SUNDAY Take sandwiches on a trip to another museum but two youngest demand **£3** fruit salad each!

GRAND TOTAL: £273.93 not including cupboard staples and whatever was in the freezer...

And what can be done?

We asked Elaine to show Amanda how to cut costs without feeling deprived:

"Amanda's shopping is reactive instead of proactive. I would recommend she take 15 minutes at the start of each week to get organised. Note each family member's activities then work out which meals need to be something quick, from a slow cooker or sitting down as a family, plus packed lunches, water and snacks – I keep a couple of water bottles and some 'hamster bars' (24 for £1.99 from Approved Food) in my car. Check fridge, freezer and cupboards, then write a meal plan based around what she already has. This will help identify what is running low so she can buy at lower prices and put a stop to impulse buys. Then Amanda should write a list and shop just for those items. Finally, put the meal plan on the calendar where everyone can see it. Whoever is home first can start preparing dinner (the two oldest at least could take one meal per week each). And as for visits to a friend's house, she could take a home-made meal or the makings of a pizza or a risotto – takes 20 minutes to cook, tastes gorgeous and you can leave her a portion to reheat the next day for an easy lunch."



have a responsibility to teach kids that money is a finite commodity.

In his book, *Show Me The Money* (Dorling Kindersley, £10.99), he explains the concept of 'scaffolding'. "If a child wants a special toy, you must tell them to save up a certain amount, which you will then match – but they do not get that toy until they've saved up to that point. That way the child learns the benefit of delayed gratification. Parents have

forgotten how to say 'no' to their children," he adds. "But saying 'no' to a child is a good thing because a child has to learn that they cannot have everything they want. I believe that a child who never has to wait is a child who grows up to overspend on their credit card later in life."

And, as for the future, Alvin Hall believes many of us need to act now in order to have a healthier attitude to our money. "People need to take

stock, to look closely at the reality of their financial situation now and in the future and learn how to do without," he advises. "It's all about getting into the very good habit of living economically and within your means, facing the fact that you cannot have that extra bottle of wine or order out yet again – you just have to eat what's in the fridge! If you don't have the money, you simply can't have it!" *



ELAINE'S SEVEN SECRETS FOR SURVIVING A DEBT CRISIS

1 You can't begin to control your spending until you know where your money goes. Create a forensic spending diary for the previous three months – if you are the sort who avoids opening bills or bank statements, recruit a friend to hold your hand.

2 You have to trim down your spending until it balances your income, and that means you will simply have to do without some things. If you smoke or drink, you have to ask yourself whether those habits are more important

to you than feeding your children – it's that simple.

3 Scrutinise every bill to see where you can reduce spending – scour newspaper money pages and comparison websites to see how to reduce power and utility bills and check your thermostat is set right so you aren't freezing but also not heating an empty house all day.

4 You may not have the credit rating to switch to a cheaper credit card, but if you can you should do it. Then set a budget of what you can spend on food and household essentials and plan menus in advance to help you avoid random deals. Approved Food is a great way to save on staples. Or just use cash

to shop – you won't be tempted to buy the things you don't really need.

5 Once you've stopped your debt growing, you can begin to eat away at it and throw every spare penny you have left at the end of the week at the debt. Even if it's just a measly pound it will give you a psychological boost and keep you going.

6 Join a credit union to help you cope with emergencies like a broken washing machine or exploding boiler. Saving around £20 each week for three

months will enable you to borrow around £1,000.

7 Play a game with yourself to find ways of shaving money off everything – can you get it cheaper? Use the internet – Freecycle, voucher schemes and eBay will all help you save money, and YouTube will teach you to mend or make just about anything.

