

Money Mastery Legacy

The Refresher





About the National Youth Agency

The National Youth Agency works in partnership with a wide range of public, private and voluntary sector organisations to support and improve services for young people. Our particular focus is on youth work and we believe strongly that by investing in young people's personal and social development, young people are better able to live more active and fulfilling lives.

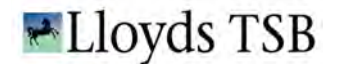
Working with young people, we advocate for more youth-friendly services and policies. We have four themes:

- Developing quality standards in work with young people
- Supporting services for young people
- Developing the youth workforce
- Promoting positive public perceptions of young people.

We deliver our work through training and consultancy, campaigning, publishing and online communications. Through our activities we want to ensure that young people have a strong voice and positive influence in our society.

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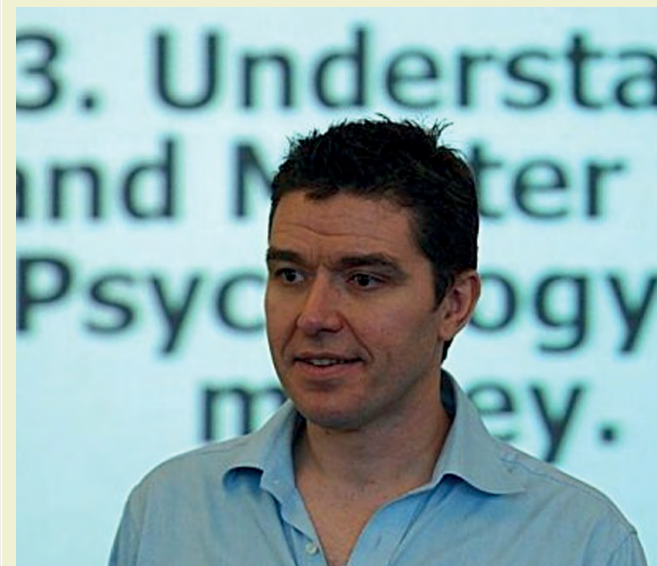
Money Mastery Legacy

Over the past five years I've had the privilege of delivering two hugely popular money coaching workshops to youth workers. In all over 1,900 professionals from across the sector attended Money Mastery and its sister programme Money Mastery Meets the Benefits Trap, thanks to the generous support of Lloyds TSB Foundation.

The courses were run as a successful collaboration between The National Youth Agency (NYA) and Whatever Life Throws (formally Kikass). They were designed to work in tandem with the FSA's (now the Money Advice Service's) Young People and Money course which was delivered separately but in parallel.

Whilst the programme in its current form has come to an end, this document offers something of a legacy. We hope that the information herein acts as a refresher for anyone who attended either of the courses and gives a flavour of Money Mastery to those who didn't get the chance to participate. We also hope that this legacy document can inform the work of any professionals responsible for developing the next generation of youth focussed financial capability projects.

Whatever your motivation for reading Money Mastery Legacy we hope it adds value to your professional practice (and, if you choose, your own personal relationship with money).



Neil Almond

Levels of Financial Capability

When we first put together Money Mastery we realised that most financial capability programmes were primarily focussed on imparting knowledge – helping people to learn about budgeting, understand complex terms such as APR or teaching basic skills such as how to write a cheque. In consultation with youth workers we soon realised that something was missing. We'd often hear comments like "I was sitting there helping Joe with his budget (and personally feeling pretty proud that I'd managed to make it balance), when I looked into his eyes and realised that the minute he left our session the budget would be out the window and he'd go straight back to the behaviour that got him into this financial mess in the first place."

It became clear that if Money Mastery was to make a real impact it would need to operate at a different level. Instead of trying to further knowledge, somehow we would need to help youth workers genuinely influence the mindset of young people. We needed to group together a set of tools and strategies capable of changing the way young people psychologically engage with money.

I'm pleased to say we succeeded. We brought together ideas and strategies from the realms of psychology, coaching, NLP and numerous other personal and professional development processes to build a course that evaluation shows really does impact the attitude and behaviour of young people.



Knowledge



Mindset



Strategies

Over to You

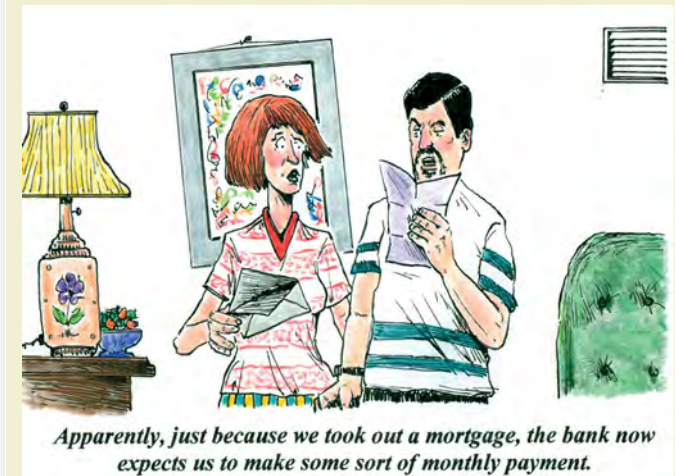
This legacy document presents some of the key tools and techniques that we included in Money Mastery. We've personally used all of these ideas successfully in our own work with young people and have, over the years, consistently refined its content in response to feedback from participants.

We hope that these tools prove as useful to you in your own practice as they have for so many of our past participants. That said, we can't claim to have invented a magic bullet that will miraculously transform every young person you work with; but we do hope that these ideas when added to your existing experience and training may give you more options and choices – and maybe make a difference in working with a young person who has previously frustrated you.

We also hope that this document proves useful to you

on a personal level. Like it or not, youth workers are often a primary financial role model for the young people they support. If you are one of the many who don't feel 100% confident in this role then, just like Money Mastery, we hope you find a safe place within these pages to explore your own relationship with money. To this end, we have included our popular debt busting strategy as part of this legacy. Over the years it has helped many youth workers (including myself) eliminate debt and feel a new found freedom around money. Like the rest of this document we know it works and hope it helps you.

To start with, just like on Money Mastery, let's explore some coaching concepts, which whilst not financial models in their own right, in our experience seem to make a massive difference in engaging young people with the thorny issue of money.



Who's Responsible for the Results?

Have you ever felt, when working with a young person, that you were more committed to their personal development than they were? I'd be surprised if not. Many young people are so used to having things done for them that they actually believe it's your responsibility to 'sort out' their lives.

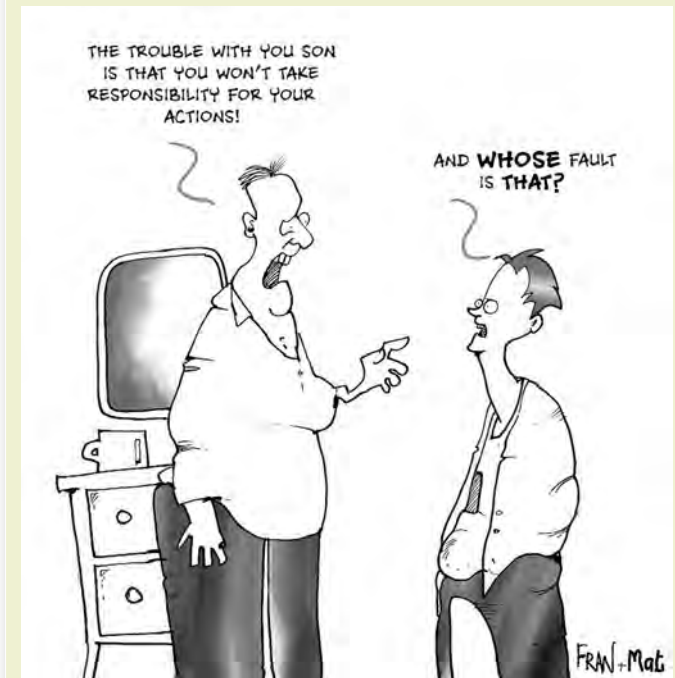
The challenge with this is that, try as we might, we can't actually change another person. Sure we can help them overcome an immediate challenge, but real long-term attitudinal and behavioural change only occurs when a young person recognises that their life is shaped by their choices and actions rather than outside influences.

As youth workers, if we want to bring about long-term change in the way a young person relates to money (and work), one of the best things we can do is to help them recognise that they are responsible for the results (both

positive and negative) that they get. We're not talking of guilt or blame here, just helping them to feel in control of their lives (however chaotic they may seem right now).

To communicate this to young people I often tell them about a chat I had with a friend of mine who was bad-mouthing a gym I was considering joining. After a few questions it turned out that they had joined the gym six months earlier because they wanted to lose weight and tone up and that they had actually put weight on! Shocked, I asked how often they'd been. Very quietly they replied 'only twice'.

Responsibility for results is one of the key frames for money coaching. Unless a young person takes ownership of their own results, no amount of budgeting, planning or cajoling on your side is going to change their behaviour or results.



Living 'At Cause'

A simple but memorable distinction we introduced on Money Mastery to help a young person build real responsibility is Cause > Effect. Once seeded, the question "are you at Cause or Effect?" can make a profound difference to their ability to achieve results and make changes in their lives.

Many young people feel like they have the deck stacked against them. It is easy for them to blame people or circumstances for their lot – and often there is truth in what they say. However by externalising the locus of control (placing the power to change outside of themselves) they severely limit their ability to change. For instance, if they blame their inability to get a job on how the benefits system is structured or through a perceived lack of jobs, then psychologically they are bound to being jobless until the government makes changes or a plethora of new jobs suddenly materialise. In coaching, we name this way of thinking being at Effect (literally being affected by external events).

By contrast, a more resourceful mindset imagines that you are the Cause of everything that happens to you. So in the example above, a young person coming from Cause may view the same challenge from a more proactive stance by recognising that even though jobs may be scarce, there are things they can do to improve their chances, and will see that the effort they put in will influence their results.

On Money Mastery we used the example of someone being late for a meeting. People at Effect will attribute their lateness to things outside of their control (traffic, an urgent phone call, late trains etc). Whereas if they are at Cause, they recognise that their choices contributed to their lateness (I needn't have answered the phone, I left the house later than I intended etc). Thus, someone at Cause is more likely to be able to adjust their behaviour in order to be on time for subsequent meetings.

Effect Cause

- | | |
|---------------------------|----------------------|
| • No power to change | • Power to change |
| • No responsibility taken | • Responsible |
| • No control of outcome | • Control of outcome |
| • No Choice | • Choice |
| • Helplessness/anger | • Self respect |
| • Reactive | • Proactive |
| • Excuses | • Results |
| • Failure | • Feedback/Learning |
| • Stuck | • Growth |
| • Victim | • Survivor |

For more information on Cause and Effect visit:
<http://whateverlifethrows.com/assets/WHAT-EVER-LIFE-THROWS-THE-CAUSE-EFFECT.pdf>

Problem Frame versus Outcome Frame

As a youth worker the questions you ask will influence whether a young person stays at Effect or moves to Cause. If the questions you ask get them talking in-depth about their problem, then they are likely to be at Effect. If the questions encourage them to talk about solutions or the outcome, then you are more likely to be moving them towards Cause.

We used the following exercise on Money Mastery meets the Benefits Trap to demonstrate the difference between a Problem Frame (holding people at Effect) and an Outcome Frame (helping people be at Cause). To give it a try just think of a challenge you're currently facing and ask the following questions – first use the Problem Frame and then the Outcome Frame and notice the difference between the two.

Problem Frame	Outcome Frame
What is your problem?	What do you want?
How long have you had it?	How will you know when you've got it?
Whose fault is it?	What else in your life will improve once you get it?
Who is to blame?	What resources do you already have which can help you achieve this outcome?
What is the worst experience you have had with this problem?	What is something similar that you have already succeeded in doing?
Why haven't you solved it yet?	What is the next step?

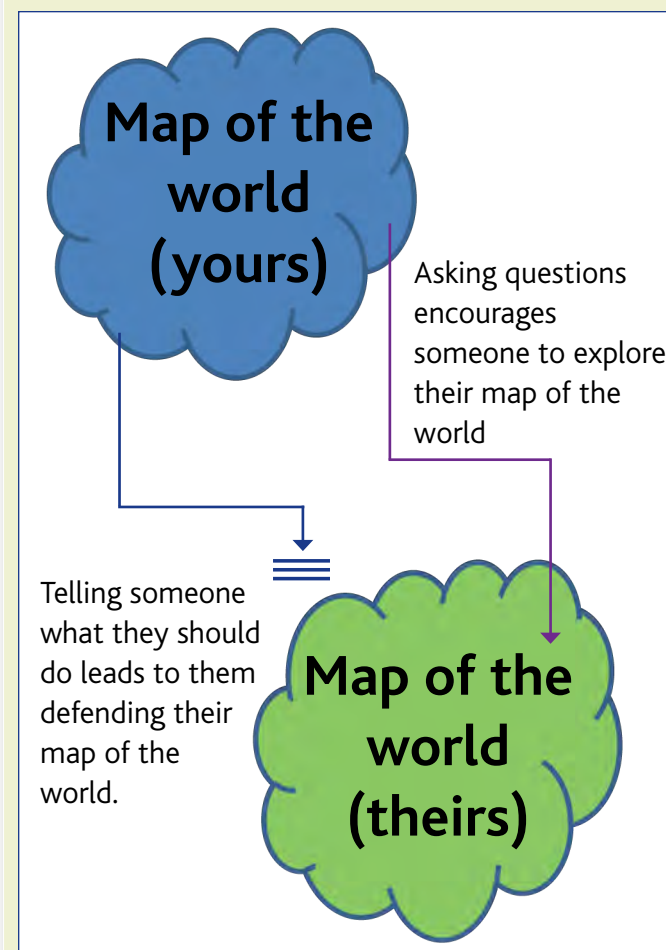
Your Map or Theirs?

Another coaching frame that will make a significant difference to your ability to successfully influence the financial literacy of a young person, is that your coaching needs to help them explore their map of the world – rather than, as is so often the case, yours. This distinction recognises that we interpret experience through a set of very personal filters – based on our values, beliefs, memories, experiences, mood etc. As a result, no two individuals will interpret an event or conversation in the same way.

When working with young people around money, it is therefore imperative to recognise that their map of the world is likely to be very different from our own, and that any solutions you offer need to resonate with their map (meet their values etc). The important thing to remember

is that it is only when a solution matches their map of the world that will they act upon it.

We have also found that there is a significant difference between telling somebody what to do and asking intelligent questions. When you tell someone what to do, they tend to become defensive from the point at which your statement 'hits the edge' of their map of the world. When it hits, they stop processing new information and just find reasons to defend their map against what you're saying. However, asking intelligent questions appears to yield a different result. These seem to penetrate the wall of their map enabling them to get curious about the question AND explore the way they currently see the world – potentially changing their views or behaviours.



The Impact of Values

One of the most influential filters that our unconscious mind uses to create our map of the world are values – adopted over time from our upbringing and experiences. Values (normally represented by single words such as health, happiness, freedom and money) form a hierarchy against which our unconscious mind measures our experience of the world. If ideas or experiences we encounter are aligned with our highest values, action is encouraged (moving towards), whereas if the experience is not aligned to high values inertia is the more likely response (moving away from action).

To successfully build the financial capability of a young person we must first recognise the values that are driving them, and find ways to meet these values whilst also encouraging them to modify their behaviours.

For instance if we take the example of a young person being late in paying their rent and a youth worker

wanting to highlight the consequences to them, then the first thing we have to note is that the values motivating our intentions (security, integrity, responsibility etc), honourable as they may be, are unlikely to motivate a young person. Instead we should explore their own values (their map of the world), which might include friendship, status, fun and so on, ensure that any suggestions we make are able to meet these values. So for example, getting a young person to imagine the status that comes from having a flat (where all your friends meet, for example) is likely to be more motivating than “if you don’t pay your rent you’ll be on the street”. In their map of the world, this may meet a value of risk taking, or sofa surfing may meet the value of friendship.

These values hierarchies do much to explain the irrational behaviour of many young people towards money – why they buy beer or trainers instead of things they ‘need’.

Examples of Values Hierarchy

Examples of Common Youth Worker Values	Examples of Common Youth Values
<ul style="list-style-type: none"> • Security • Family • Freedom • Integrity • Morality • Contribution • Health • Responsibility • Friends • Relaxation • Career • Education • Equality • Fun • Honesty 	<ul style="list-style-type: none"> • Friends • Status • Acceptance • Fun • Adrenalin • Risk Taking • Escape • Possessions • Fashion • Adventure • Freedom • Justice • Rights • Choice • Money

Goals versus States

In a moment we're going to talk about the importance of goals and the role they can play in motivating a young person to step outside of their comfort zone and take some real action. Before we do, it is important to recognise the difference between a goal and a state. Many people confuse the two. A goal is a physical manifestation over time – a car, a house, a perfect partner to share your life with, a holiday and so on. Whereas a state is a way of feeling or an emotion – to feel loved, respected, safe, joyful etc. We know from psychology that all of these feelings already exist within us and that we only need to know how to access them. Once we know this, it is possible to change our state in an instant.

This is important because many of our actions and the majority of goals are motivated by our desire to change our state – we buy the shoes, eat the cake or drink the

beer in order to feel better/more relaxed/loved etc.

When working with young people around their goals it is useful to bear this in mind as probably there is a cheaper way to achieve their desired state. So, for example, if an 18 year old lad sets a goal to own a Ferrari, what state is he looking for? Adrenalin, status (to be respected by peers and family) or is it about the person sitting next to him when he drives it? If you can help him to identify the sponsoring state then it may be possible to map across to a cheaper goal that motivates him and meets the same state needs. In the case of the Ferrari it is unlikely to be about transportation (getting from A to B), so suggesting they buy an old beaten up Fiesta is unlikely to scratch the same itch. This also explains why young people may 'need' the latest gadgets (smartphone etc) and find it hard to remove these from their expenditure.

A Goal



A State



The Importance of Goals

One of the things we learnt in the early days of Money Mastery was that you can't solve money problems with money. Quite simply the maths doesn't add up – as you'll know if you've tried to convince a young benefits recipient why earning £10 extra after a 40 hour working week is a good idea. This is because financial literacy is about mindset far more than availability of cash.

Something that does seem to make a massive difference, however, is the presence of a compelling goal – something that the young person wants badly enough to forego short-term spending and an easy life (be willing to take some action) in order to achieve

something that truly motivates them.

As we've already discussed, any compelling goal needs to exist in their map of the world and call to their highest values.

In response to repeated requests from participants, we developed a new goal setting tool for use with young people that became a popular part of Money Mastery Meets the Benefits Trap. Its aim is to help a young person create a compelling goal – the sort of goal that gives them slight butterflies of excitement and leaves them asking the question 'could I really do that?'



Creating a Compelling Goal

Most young people find it very hard to conceptualise, let alone articulate, their goals. This is partly because so many live their lives at Effect and don't recognise that they can control their destiny. It is also because it takes courage and self-belief to step outside of your comfort zone and proclaim to the world what you want to have in your life. For many the risk of failure is just too great. So when asked, most give the universal reply 'dunno!' or talk about wanting to be a professional footballer or win X-Factor (goals in which they have no real belief, are often outside of their control and normally represent a state they would like to attain rather than a tangible goal). As a result our goal setting tool starts with the opposite: 'What don't you like about your life right now?'. Most of us find it much easier to answer this question and the response forms a powerful base from which to create a goal.

Once the negative has been defined then it is simply a question of asking "What do you want instead?" With a little coaxing most young people can share the opposite, and maybe even put a little flesh on the bones. It also doesn't matter in this model if they put winning X-Factor in this box, we can work out whether it's realistic later.

The next stage of the process requires that they imagine what it would be like to have already successfully achieved the goal (the 'what they want instead') and act as if they are themselves in the future feeling good about having achieved it (pretending if you like). In this space you guide them to describe what they would see, hear and feel. Ideally get them to speak in the first person present tense (so I feel proud, rather than I would feel proud).

Notes

Creating a Compelling Goal

Once they have experienced acting as if they had achieved the goal in the future, we need to check that the goal meets three criteria that help build a strong goal.

1. Is there any negative impact on yourself or others if you achieve the goal? If the goal will hurt the individual, their loved ones or will clash with core values such as the environment then it is very likely that they will sabotage at some point – so best to check at this stage.
2. Is the goal within your power to achieve? You can only set goals for yourself not others. The X-Factor goal would most likely fail at this stage – the power to achieve it is with the production company and the public, so instead you may re-write the goal to be a major recording artist which leaves you feeling powerful even if you're not right for X-Factor (there's always Britain's Got Talent after all).
3. Are you willing to do some work to achieve the goal? This one is pretty self explanatory: if they

can't get excited about it and are not willing to do something then the chances of them being successful are slim, so why give them the pressure of perceived failure?

If the goal fails to meet any of these criteria, then you simply rework the goal slightly so that it does and then recycle it through the previous steps imagining the successful completion.

Once it passes all of the criteria, then re-write the goal as positively and in as much detail as you can so that they have a lasting record and move onto the final stage – to come up with at least five action points that they can do within the next five days that will help to make the goal happen. Ideally have them do one of these action points immediately as this significantly increase the likelihood of them changing their behaviour to work towards the new goal.

The templates on the following two pages are designed to help you guide a young person through this process.

Notes

Creating a Compelling Goal

What don't you want? What are you frustrated about in your life right now? What do you want to change?

I don't want ...

What's the positive version of this? What do you want instead? What would you rather have?

I want ...

Now imagine that you could actually have this, what would that be like? Take a moment to act as if the goal had already come true, as if you had already succeeded.

What would you see? Who is there with you? What's different?

1. _____

2. _____

3. _____

What would you hear people saying around you and about you? What different things might you be saying about yourself? What other sounds are there?

1. _____

2. _____

3. _____

Creating a Compelling Goal

What does it feel like to have achieved this goal? What would you call the emotion? Have you ever felt it before?

Allow the positive emotion to flood through your body as you think about being successful in this goal.

Check list:

- ✓ Is there any negative comeback for yourself or others if you achieve your goal?
- ✓ Is the goal within your power to achieve? You can only set a goal for yourself not others.
- ✓ Are you willing to do some work to achieve the goal? Can you get excited about it?

Re-write your goal here, making it as positive and exciting as possible:

What five things you can do within the next five days to help make the goal happen?

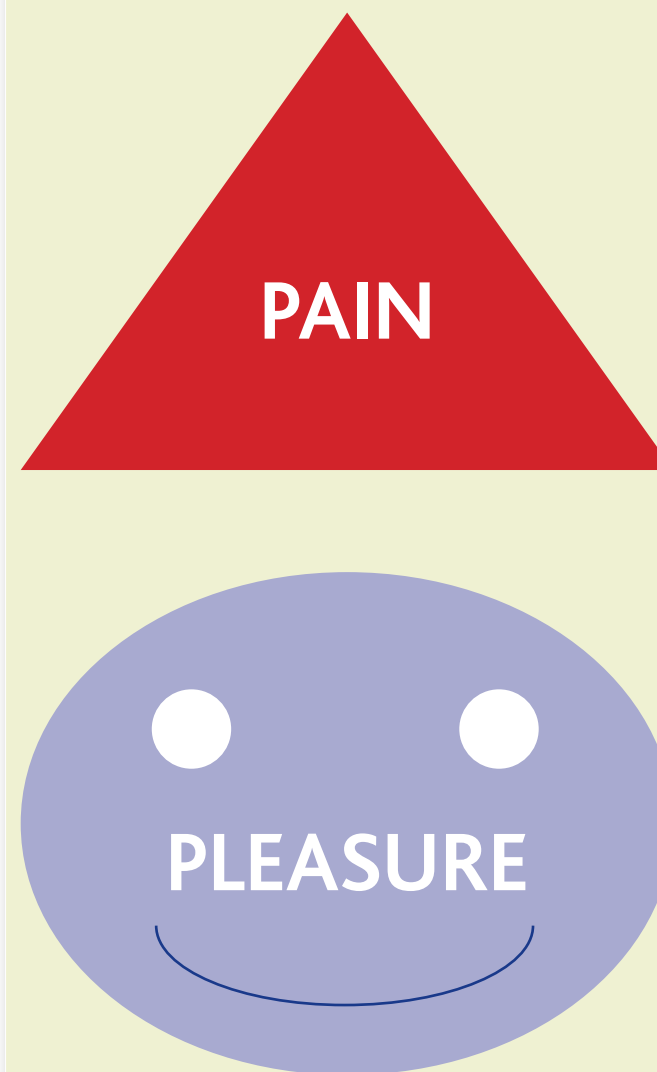
- 1.
- 2.
- 3.
- 4.
- 5.

Pleasure and Pain Motivation

Once someone has a compelling goal, all that is needed is motivation. Human beings naturally move away from pain and towards pleasure. When a situation becomes painful enough, even the most apathetic of us will get into gear and take action to move away from whatever is causing us pain. Similarly, we are hardwired to move towards pleasure.

Pain and pleasure are present in most events, goals, changes or actions an individual might experience. In these situations the brain acts much like a set of scales and weighs the associated pain and pleasure against one another. As a youth worker, you can help tip the scales in the favour of the young person by getting them to focus first on the pain that they will experience if they don't pursue the goal. Again remember that this pain needs to ring true in their map of the world, and that it needs to align with their values.

To achieve this, we will normally get a young person to imagine that there is a timeline heading out from today into the future. This is their predictable future – what will happen if they don't take action aligned with their goal. We get them to literally walk along this line stepping six months, 12 months, three years into the future and ask them to play-act as if they really were in the future – 'I'm feeling even more depressed', 'my dad isn't talking to me' etc. Once they've linked pain to not achieving their goal, we get them to do the same process for a second timeline representing a positive future that they'll create by working towards their goal. The more they can associate into the pain and pleasure, the more motivated they are likely to be to step outside of their comfort zone and do whatever is necessary to achieve their goal.

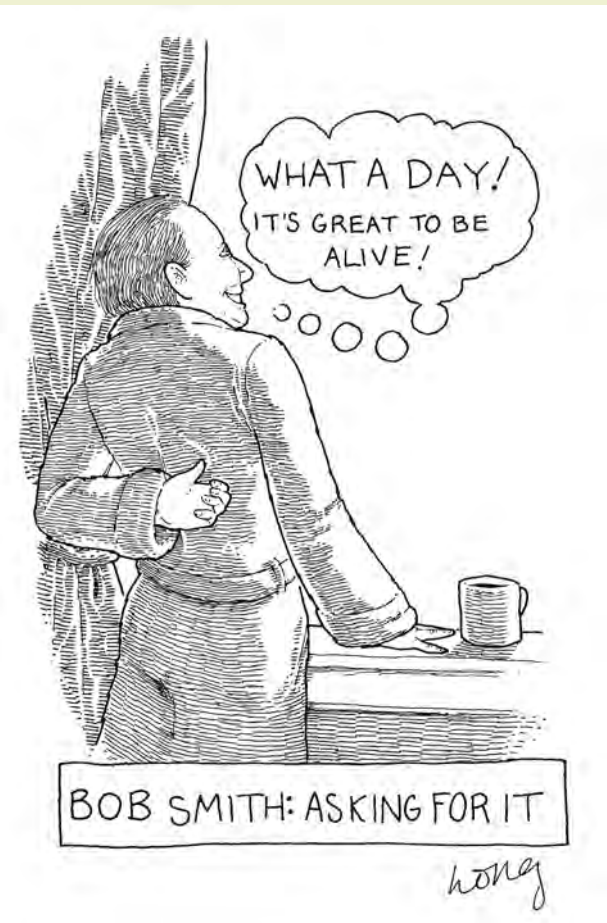


Get Your Head in the Game

As we noted above, one of the things we'd often say on Money Mastery is that 'you can't solve money problems with money'. It might sound strange, but it is true – the emergency loan, pay rise or rebate are quick fixes that relieve pressure but they don't alter your fundamental habits, behaviours or attitudes around money. It is what goes on in your head that really counts. It is for this reason that we would often suggest that if you're in debt right now, then you're in a great place. The reason is that debt is painful. It is this pain that can motivate you to do something else and in the process give you the opportunity to master the psychology of money and therefore build the resources to change your financial destiny.

An important part of getting the right mindset is starting to notice the language you use around money. On Money Mastery we point out how difficult our brains find it to process negatives. The example I often give is 'Don't think of a blue tree, whatever you do

don't allow the image of a blue tree to enter your mind, DON'T think of a blue tree'. So what do you think about? A blue tree! Your brain has to think of a blue tree in order to not think of it – once you've thought of it you can erase it or turn it another colour. But you still had to think of a blue tree first. So how does this relate to money and debt? Well for starters if the focus of your thoughts is on 'debt', then your brain is continually thinking about what it doesn't want – debt! – hence making you less resourceful. Our suggestion is that instead of worrying about how to claw your way out of debt, find a positive focus. What do you want instead? Well most of us like the idea of being a millionaire, What if the first step was to become a ZERONAIRE – someone who is free, doesn't owe any money to anyone, doesn't have to work the first 10 days of a month to pay back money owed. Would it feel different then? These simple things can change the game – and help you win.



Calculating Net Worth

Calculating an individual's Net Worth is one of the best ways we've found to let people know how they're doing around money. It is a simple calculation which recognises that most of us have invested (either consciously or unconsciously) in 'stuff' during our lives to date – be it shoes, games or, for the more savvy of us, investments. These items form the positive side of our Net Worth (or our assets if you prefer). Similarly, many of us currently owe money to other people or institutions – these debts (or liabilities) are the negative side. Your Net Worth is calculated simply by taking the negative away from the positive – if you own more than you owe, then you have what is known as a positive Net Worth, if it's the other way around then, for the time being, you have a negative Net Worth.

Whilst in truth your Net Worth changes daily, we prefer to keep things simple and therefore base calculations around an individual's income cycle – if they get paid benefits, salary or allowances weekly, fortnightly

or monthly then this is when we'll recalculate their Net Worth. This means that you don't need to count income or any bills in the calculation because if you have money left over at the end of the month or have bought assets then these will have increased the value of your positive column, and similarly any new debts will have increased the negative total.

Because of these natural fluctuations Net Worth can be used as the financial equivalent of a stake in the ground, telling you where you are around money today, and by extension is a means of setting and measuring a target Net Worth.

We live in a society that sometimes confuses someone's Net Worth for their 'true worth' to society. That's not what we're talking about here, this model is intended simply to help keep track of where one is around money right now.

Stuff you can sell (CDs, phone, trainers, games etc) Money you're owed Pension pot (current value) Clothing Furniture Jewellery Investments (current value) Savings Car House	£ positive
£ negative positive minus negative = £Net Worth	Mortgage Car Loan Credit Cards Store Cards HP 0% Credit deals Catalogues Door step lenders Family and Friends Drug dealer Wonga.com Arrears & fines Overdrafts Student Loan

My Net Worth

ASSETS: WHAT I OWN	WORTH
LIABILITY: WHAT I OWE	WORTH
	<p style="text-align: right;">NET WORTH £</p>

It's About You!

Money Mastery always recognised that youth workers are often a primary financial role model for the young people they support. Many participants, however, didn't feel comfortable in this role; we'd often hear comments on the course like 'if they knew the state of my finances there's no way they'd come to me for advice'. For this reason we always focussed the debt busting strategy at a level that worked for the professionals in the room; giving them permission to take off their youth work hats for a moment and, if they wanted to, focus on their own finances. As this is a legacy document, I suggest we do the same here. After all, the only real difference is the size of the numbers; as we'll discuss later, at the heart of debt busting is a very simple formula – reduce your expenditure and/or increase your income. If you want to get out of debt the same principles apply whether you're Richard Branson, a young asylum seeker or indeed an impoverished youth worker.

As we move on to discuss the debt busting strategy that proved so popular on Money Mastery, it is important to note that this strategy is intended to be used by people who still have some flexibility in their finances and aim to pay off debt without negotiating with creditors. It is not intended for use by anyone in a critical debt situation – where they are in danger of losing their home or livelihood because of escalating debts; where they are borrowing more money in order to pay interest on existing debts; or where their debts are having a significant emotional and psychological impact on their lives. If you, or the young person you're working with are in a critical debt situation we recommend getting specialist debt management advice – in this situation we normally recommend Citizens Advice Bureaux.



I hope you realise you're setting my behaviour patterns so I that get myself hopelessly into debt in later life.

Stopping Debting

Money Mastery is really a set of strategies designed to help you and the young people you serve master the psychology of money so that you can feel powerful around your finances, and take real control of your financial future. Possibly the most talked about (and applied) strategy we discuss relates to debt busting.

It may sound like a glib statement but the first thing to do if you are in debt is to 'stop debting'. Most people who are in debt spend more money every month than they earn, hence the debt grows and grows. Drawing a line is essential if you choose to start the process of reducing what you owe. A simple income over expenditure statement can help clarify whether you're debting or have a surplus each month. Using the investment fund template on page 24, list your income in the top box and expenditure in the bottom (ideally using recent bank statements). By subtracting

expenditure from income you are left with a figure; if you are debting this will be a negative figure, if there is a surplus then it will be positive. We call it 'My Investment Fund' to reinforce positive behaviour rather than negative – remember 'think of a blue tree'.

If you are debting, your first mission is to get your income and expenditure to balance. There are really only two ways to achieve this (regardless of your income or circumstances):

- reduce your expenditure; and/or
- increase your income.

Ideally at this point cut up your credit cards to avoid temptation and, if possible, eliminate your overdraft (switching it to another form of credit if necessary), so you're focussed on balanced finances rather than debt.

Notes

My Investment Fund

INCOME PER WEEK/MONTH (COMING IN)	WORTH
TOTAL	£ <input type="text"/>

EXPENDITURE PER MONTH (GOING OUT)	WORTH
TOTAL	£ <input type="text"/>

TOTAL INCOME	£ <input type="text"/>
TOTAL EXPENDITURE	£ <input type="text"/>
INVESTMENT FUND	£ <input type="text"/>

Getting Out of Debt

Most of us hold it as fact that getting out of debt is going to be painful, will equal loss of freedom and will take forever. Our experience on Money Mastery has shown that this couldn't be further from the truth. Most people, especially those in debt, have flabby spending patterns – we estimate that most people could save an equivalent of 25% of their income just by becoming more conscious of what they're spending money on and stopping spending it on stuff they don't need or want.

We often spend money to change state – buying a slice of cake, a glass of wine or a 'much needed' handbag makes us feel good for a short time. But only for a short time until the remorse sets in. If we recognise this and choose to change our state in a different way – playing our favourite music, having a disco in the lounge, going for a run, phoning a friend – then we can save a fortune. I personally introduced a 24 hour rule, deciding that I could have anything I wanted over £10 (freedom is a high value for me) as long as I waited 24 hours. Of

course 24 hours later my state had changed and so I seldom bought the item. Look for those places where:

- shopping around would get you the same product for less.
- you are buying products and services you don't really need.
- doing it in a different way would be cheaper, healthier or more fun.

I don't suggest giving up things that you prize. If you're a smoker for example, I wouldn't give up to get out of debt (even though you might save £150/month) because doing so would link massive pain to your debt busting.

In addition to reducing your expenditure, look for those areas where you can increase your income. Do you have any hobbies that could earn you a few extra pounds or could you alter your work patterns to earn a little more?

Reduce Your Expenditure

Shop around for utilities

24 hour rule – you can have anything you want over £10 as long as you still want it in 24 hours

Get rid of Sky channels you don't watch

Walk to work instead of taking the car

Cutting out store bought coffee could save £50 a month

Making your own lunch would save the average person £100a month

Don't go shopping when you're hungry

Grow your own veg

Buy own brand – they often taste the same

Get rid of unused memberships and subscriptions

Increase Your Income

Earn money from your hobby

Do a car boot sale and sell your old junk

Put things you don't use on eBay

Rent out a room or your drive

Ask for a pay rise

Change jobs to increase income

Take sessional or part-time work

The Money Mastery Debt Busting Strategy

1. Make a list of everyone you owe money to. This includes friends and family, overdraft and student loans as well as credit cards, loans etc.

2. By each debt, list the amount you owe today. For credit cards, phone for your current total (as you may have spent since your last statement) and for loans phone your bank and ask for the redemption figure (the amount it would cost you to go into the bank to pay off the loan today – once interest and fees are taken into account).

3. Make a list of the interest rates for all of the debts. Convert monthly quoted rates into annual percentage rates for consistency and clarity.

Debt Busting Strategy					
WHO I OWE	AMOUNT	INTEREST RATE	CURRENT MONTHLY PAYMENT	MINIMUM MONTHLY PAYMENT	PRIORITY

4. List the current monthly payment you make on each debt. This may be the minimum payment, but most of us pay a little more than we need to each month because most people now realise that leaving cards on the minimum payment will mean they take years to pay off. Have a look back through your last few statements to see what you've been paying and add the average to this column.

5. List the minimum monthly payment that the person or place you owe money to would accept. For instance credit cards often have a minimum payment of 3 or 5% of the balance total.

6. Prioritise the order in which you want to pay off your debt. Next to your highest priority debt write the number '1', this will become the first debt you tackle. Put a number next to every one of the debts – don't make the mistake of thinking you will work out which is number '2' when you get there, it is important to know the priority order for each of your debts. Some of the ways of prioritising them could include:

- the highest risk – if you are at risk of losing your home or livelihood, being taken to court for non-payment or there is a consequence to late payment (such as fines or maturing 0% finance deals) then you may want to prioritise these first;
- the highest interest rate;
- some people prefer cracking the biggest debt first whilst they are motivated;
- others like the momentum from paying off the smallest debt;
- emotional debt may also be important – if a debt to friends or family is affecting your relationships then you may want to chose these for early repayment.

Calculating Your Debt Busting Margin

WHO I OWE	AMOUNT	INTEREST RATE	CURRENT MONTHLY PAYMENT	MINIMUM MONTHLY PAYMENT	PRIORITY
Halifax Credit	£550	17.7%	£50	£5	1
Car Loan	£3,000	6.5%	£50	£50	3
Uncle Bob	£400	0%	£20	£0	4
HSBC Credit	£350	17%	£50	£5	2
Total	£4,300		£170	£60	

STEP ONE is to pool all of the money that you're currently using to pay back debts so that it works as hard as it can for you. To do this subtract the minimum monthly payments (the minimum amount of money that your creditor wants paid back every month) from the current monthly payments (normally the minimum payment plus a little extra), so using the example below:

Current monthly payments: £170
Minimum monthly payments: £60
Current overpayment: £110



STEP TWO of finding your debt-busting margin is to find the equivalent of 10% of your monthly income, so for example:

Monthly income: £1000
Amount to find: £100



STEP THREE is quite easy, it's a simple addition of the overpayment and 10% saving:

Current Overpayment: £110
10% Income: £100
Debt Busting Margin: £210

This overpayment (the amount you have in an average month been paying over and above the minimum required) forms half of your debt-busting margin. At this point, if you haven't already done so, cut up your credit cards to reduce temptation and make sure all your minimum payments will be made by direct debit to ensure you don't get any unnecessary late fees.

Easier said than done? Not really. Remember most of us, especially those of us in debt, have flabby spending. So how do we find it? By doing what we can to reduce our expenditure and increase our income. If you can't find 10%, try 8% or 5%, just try and find something.

This Debt Busting Margin (£210 in our example) can now be used to pay off our debts in priority order. Enabling us to target our repayments so that we can pay off debts quickly and effortlessly.

Calculating Your Debt Busting Margin

PRIORITY DEBT ONE

Now that you've calculated your debt busting margin the process is pretty simple – you now throw the whole debt busting margin at priority debt number one (remember you assigned a priority order to each debt up front). Remember also, that any minimum monthly payment you have allocated to this debt can be added too; so in the case of our example this would be:

Debt busting margin: £210
Minimum monthly payment: + £5
Monthly payment on Priority 1: £215

WHO I OWE	AMOUNT	INTEREST RATE	CURRENT MONTHLY PAYMENT	MINIMUM MONTHLY PAYMENT	PRIORITY
Halifax Credit	£550	17.7%	£50	£5	1
Car Loan	£3,000	6.5%	£50	£50	3
Uncle Bob	£400	0%	£20	£0	4
HSBC Credit	£350	17%	£50	£5	2
Total	£4,300		£170	£60	

CONGRATULATIONS! You have already done a great thing in clearing Debt 1, and you now have £215 (the full amount you've been paying on Priority 1) to add to the automated minimum payment on Priority 2. Before you move on there are a couple of things you need to do:

Quickly update your amounts column to take account of any new interest charges (remember this shouldn't include any new spending – you should have already stopped debting!).

Close the account – don't just rely on cutting up the card, get the satisfaction of completely closing the account.

Celebrate – you've done a great thing in clearing your first debt, do something to celebrate (but try to keep the cost down or this process will take longer than necessary).

PRIORITY DEBT TWO is in your sights.

Debt Busting Margin (from Priority 1): £215
Existing Minimum Payment (on Priority 2): + £5
Debt Busting Margin: £220

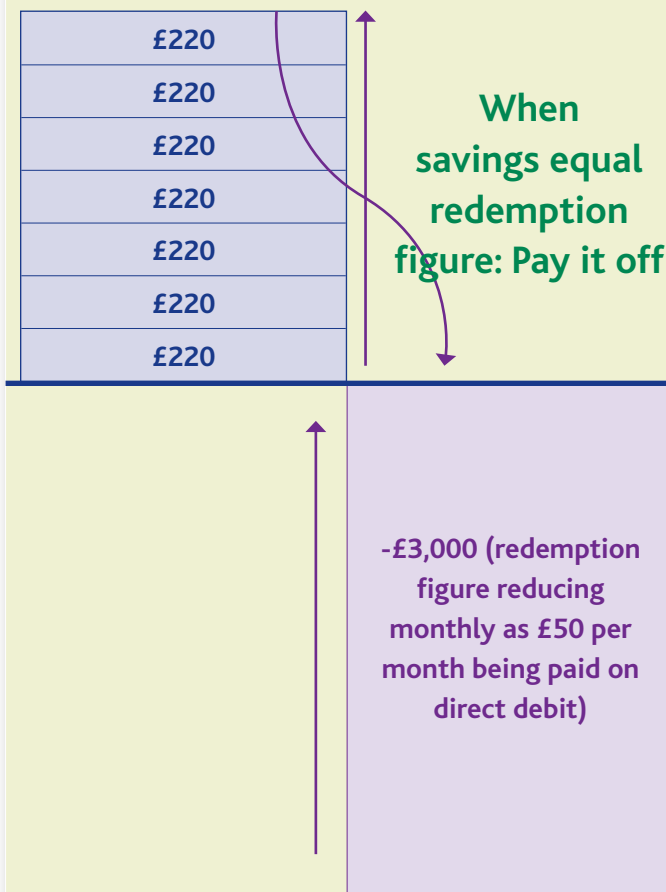
By immediately focussing your enhanced Debt Busting Margin on the £350 owing on Debt 2 you will be able to clear it in less than two months. **Once you've done this of course – recalculate, close the account and celebrate!**

Becoming A Zeronaire

PRIORITY DEBT THREE is a little different from the first two in as much as it is a fixed repayment loan. In other words they won't allow us to take the £220 Debt Busting Margin we're bringing from Priority 2 and add it to the £50 we're already paying on direct debit. So we need a slightly different strategy. First get an up to date redemption figure (this is the amount of money that, if you were to walk into the bank right now, they would accept to settle the loan. This will include any early payment penalties and interest rebates etc). The redemption figure will change monthly as payments are made, and some banks will be able to forecast future figures to help with your planning. Keep the direct debit paying the normal repayments (£50 in our example) and now focus on maximising your debt busting margin.

In our example we have £220 that we were using to clear Priority 2. We suggest placing this money into as high an interest account as you can find (that will still give you access at the appropriate time) and leave these funds to accumulate until they equal the redemption figure – at which point, you close the account and treat yourself to a well earned celebration as your goal of being debt free is so close you can practically touch it.

For many of us, however, money sitting in a savings account could risk serious temptation. For this reason we suggest you do everything you can to make accessing it difficult: save it with a bank that's different from the one you normally use, have a passbook that means you have to go to the other side of town etc.



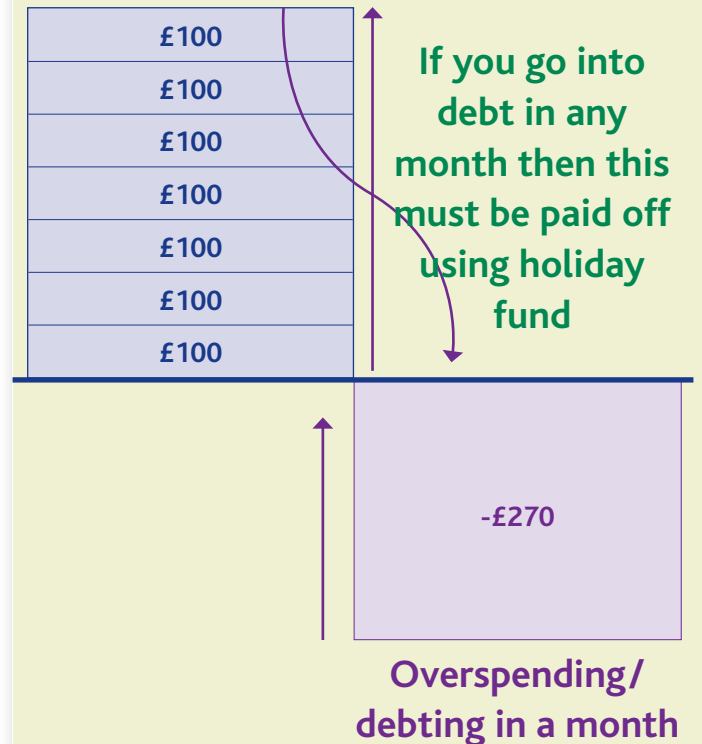
Avoiding Sabotage

In our experience if you use Money Mastery strategies getting out of debt is likely to take a lot less time than you originally thought – and the chances are that you'll feel better emotionally and psychologically within days. That said, for many of us debt-busting still seems like quite a huge challenge. As such it is useful to have additional strategies to help reduce the risk of sabotage.

When I was getting out of debt I realised that I was going to need to take a holiday. Because I was now opposed to debting, I decided to put aside a little money each month (meaning my debt busting margin was slightly smaller than it could have been) as a holiday fund. Having done this, I made a pact with myself that if I debted in any month I would need to replace whatever I'd overdrawn from my holiday

fund. It worked, albeit with a couple of early slips. I'd linked pain to going into debt and gave myself a personal consequence if I didn't manage to control my expenditure or gain additional income. This helped make debt busting a game and I highly recommend it.

In order to make this easier I would also recommend that if you are used to operating your bank account in an overdraft, before you begin the debt busting process do what you can to get rid of the overdrawn funds. You can either do this by transferring it to an alternative line of credit or opening a new account from which you can operate your debt busting. By doing this you are reinforcing the action you want (to operate within your means) and making it very easy to spot if you have debted at the end of a month.



NB. If you can, keep some level of overdraft facility in place to avoid unnecessary fees. However, hold the intention of operating your account with a positive balance.

The Journey Continues

We hope that this Money Mastery Legacy document proves useful to you in your professional career and personal life. Whilst, sadly, we are not longer able to offer Money Mastery or Money Mastery Meets the Benefits Trap as free open courses, they remain available as in-house programmes through Whatever Life Throws (formerly Kikass) along with a suite of other workshops aimed at supporting youth workers and other socially-focussed professionals in gaining skills and becoming

more effective in supporting young people. Popular programmes include Coaching Young People into Work and Effortless Learning: Magical Memory.

Whatever Life Throws also offers a new consumer focused debt-busting workshop – Beyond Debt: Financial Freedom – which provides an affordable way to support friends and family in their quest to become a Zeronaire.



START HERE.

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