YIPA
YOUNG INDONESIAN PROFESSIONALS' ASSOCIATION IN THE UK

Knowledge Share: Managing Personal Finance
Key Takeaways
18th June 2020

Budgeting

1. Budgeting is allocating your disposable income into different 'buckets' such as necessities like rent or transport costs, food, and savings
2. Savings can be a great start for building your wealth. Allocate a portion of your monthly income directly for savings every time you receive your paycheck
3. Ideally, you should start investing when you have enough saved as an 'emergency fund' (adequate to cover 6-12 months of living expenses)

Pension

1. Find out your company's pension scheme policy (e.g. opt-in, opt-out)
2. Transferring your pension from the UK to a different country is possible, but look out for taxes incurred when moving pensions to certain countries - check with your pension provider
3. If you are under a higher tax bracket, pensions can be a tax-efficient way to invest. Other ways to be tax-efficient include paying attention to your tax code (register yourself on HMRC online services) and P60 forms when moving jobs

How do I start investing?

1. Take an investor personality test, such as [Vanguard's Investor Questionnaire](), to help you strategise and choose your asset allocation
2. The more time you have, the more risk you can usually take on (e.g. picking an 'aggressive' instead of a 'balanced' portfolio)

Individual Savings Accounts (ISAs)

- ISAs enable you to save tax-free. For the 2020-21 tax year, the maximum amount you can save through ISAs is £20,000. There are 4 main types of ISAs: Cash, Stocks and Shares, Innovative Finance, Lifetime.

For Stocks and Shares ISAs:

1. Research and compare different platforms (e.g. Nutmeg, Wealthify, Moneyfarm) for their credibility or user-friendliness - you can use websites like Boring Money. Ensure that they are approved by the Financial Conduct Authority
2. Understand what different platforms offer (e.g. some platforms cannot access the US market)

3. Pay attention to the breakdown of platform service fees. They might seem small, but when compounded overtime they can be hefty
4. Check whether a personalised advisory service is available, which can usually be accessed at an additional cost

Exchange-traded Funds (ETFs)

- ETFs are investment funds that hold assets such as commodities or bonds, and are traded on exchanges, much like stocks.

1. Understand the ETF's fact sheet
2. Pay attention to the expense ratio (the amount that an investment company charges investors to manage the ETF)

Credit Cards & Credit Scores

Why do you need to pay attention to your credit score?

- Credit score is an indicator of your financial health and how good you are at managing money historically. Financial institutions check on credit scores to help them decide whether and at what rate they lend to you.

Is getting a credit card the only way to get a credit score?

- No! You can use proof of rent or utility payments as a way to improve your credit score if those bills are under your name. You can track and report your rent payments via sites like Credit Ladder, and this record will flow through to credit reference agencies such as Equifax and Experian. Reporting timely on rent payments can also improve your credit score.

Recommended Resources

Books

- *Young on Top* by Billy Boen
- *You Are Not Broke, You Are Pre-Rich* by Emilie Bellet

Useful Links

- *HMRC's Basic State Pension* - To check if you are eligible for state pension
- *Vanguard's Investor Questionnaire* - To find out your investor personality
- *Money Saving Expert's Credit Card Eligibility Calculator* - To check which credit cards suit your profile. It's important to check, as multiple credit card rejections can leave a mark on your credit history
- *HMRC's Self Assessment Tax Returns* - To check whether you need to send a tax return

Disclaimer

YIPA UK is not a financial advisor. The content of the Knowledge Share and this document is solely intended for educational purposes and it does not constitute financial advice.

Find YIPA online

yipa.org.uk || Instagram/Twitter: @yipa_uk || Facebook: /YIPA.ORG.UK || LinkedIn: YIPA UK