Family **planning**

We help the Which? family plan for the future with the help of a financial coach

Darren and Toni Jones have big ideas for the future. They want to build an extension to their house, pay off their mortgage and maybe even retire early.

To help them prioritise and plan, we arranged for the Joneses to have sessions with a financial coach (See 'What is financial coaching?', right). With the coach's guidance and a few hours of discussion, research and planning, the couple were able to identify the goals that were important to them as a family and develop the confidence to put them into action.

Starting out

Darren and Toni thought their finances were in fairly good shape, but suspected their money could work harder for them. They have two incomes – Darren is a full-time police officer and Toni works part-time as an optometrist – and they currently have a mortgage, various savings and investments, and some life and illness protection.

The coach visited the couple twice at home, with additional contact by email and telephone. The coach helped them to assess their overall financial position and focus on three key areas for the family's future: savings, pensions and protection.

Become your own banker

Through the coaching sessions, Darren and Toni identified three short-term savings priorities:

- easily accessible cash funds for emergencies (equivalent to three months' salary)
- saving to finance the building of an extension to the house (costing around £30,000 over two years)
- regular saving to fund large purchases, such as their next car.

The couple had several options for funding the extension. They could cash in their Police Mutual Assurance Savings (PMAS) schemes, as they had been disappointed with the returns. Their other alternatives were to add to their mortgage (currently charged at 5.75% per year); take out an unsecured loan (6.4% over three years); or finance through existing income.

'Our savings are now giving us a higher return and are easily accessible when we need them'

Rather than take on more debt by adding to their mortgage or taking out a loan, Darren and Toni decided to cash in their PMAS investments and keep the money in tax-efficient cash Isas and a Best Buy Icesave savings account until needed.

'We still intend to finance the extension through earnings as far as possible,' Darren told us.

VERDICT 'Thanks to the coaching, our savings are now giving us a higher return and are easily accessible when we need them for the extension,' Darren said.

Pensions

While Darren is in a good police pension scheme, Toni's post-retirement income will come from a number of sources. She has a small personal pension fund, will be entitled to the basic state pension at 67, and has also decided

What is financial coaching? A new way of taking control of your money

Financial coaching, also known as money coaching, encourages you to identify what you want from life and explores how to use your money effectively to put your plans into action.

It is different from traditional financial advice. Financial coaches won't sell you any financial products, but will help you to think differently about your finances and to make informed decisions.

This might include breaking wasteful patterns of spending and borrowing, deciding which kinds of products you really need and keeping on top of your finances so they continue to work for you.

PHOTOGRAPHY DAVID MURRAY

to opt back into the state second pension.

'We may decide to keep working up to state retirement age, but we want the choice of retiring early,' Darren said.

They need to start planning now to fund the gap from 55 to state pension age. Following the coaching, they are currently weighing up their options:

- sell their house and downsize to release equity
- save extra now to create an income after age 55
- continue working part-time after 55
- draw Darren's pension and lump sum at 55
- release the lump sum from Darren's pension at 55 but defer the pension itself.

VERDICT 'Coaching helped us realise that to have different options at 55, we would have to start planning now,' Darren told us.

Protect yourself

When it came to protection, the Joneses had invested any spare cash in their home, planning to downsize if necessary. During coaching, however, they realised that with two young children it was essential to arrange cover in case the worst should happen.

As well as endowment and term insurance policies in joint names, Darren was covered by protection schemes through the police. 'We'd manage if something happened to me,' Darren said. 'But we needed to get more cover in case Toni is unable to work. We also want to keep life financially stable for the kids if the worst happens to either of us.'

If Toni fell ill, her employer would pay statutory sick pay of £75.40 a week for 28 weeks, while her occupational insurance policy would pay out if she permanently couldn't do her job, but not for short-term illness. If Toni died, there would be insufficient payout to cover the mortgage, and Darren would face extra childcare costs on just one income.

Following coaching, Darren and Toni decided to take out an income protection policy for Toni, covering long-term sickness, as well as increased life cover which would pay out if Toni died.

VERDICT Darren said: 'While, after the coaching, we are now spending an extra £20 a month on protection products, we feel we have cover that fits our circumstances.'

Going forward

Following financial coaching, Toni and Darren have spent time writing a 'what if' list of scenarios, together with details of where the money would come from in each case.

'Coaching certainly makes you think – seeing the overlaps and not viewing each product as a bolt-on rather than part of the big picture,' Toni said.

Darren added: 'My cogs are turning and I'm seeing it all in a very different way to when I was just sold things.'

VERDICT They both feel that the coaching really helped them to make their money work harder.

Darren said: 'It has really changed our thinking – we are much more confident around our finances.'

'It has changed our thinking – we are much more confident around our finances'

FAMILY UPDATE

When a mistake by LloydsTSB caused the couple inconvenience, Darren and Toni switched their current account to Which? Best Buy Smile. Darren said: 'We don't need a high-street branch, and Smile's ethical policy appeals to us.'

Contacts

We're aware of five financial coaches operating in the UK . If you know of more, or you are one yourself, let us know.

Activate Your Money
0845 460 1161
www.activateyourmoney.com

Inspired Money
020 7485 1401
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Joanna Pirie
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Sharon Rule Coaching
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Wise Monkey Financial Coaching 01273 691223
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HOW YOU CAN DO IT

If you're thinking of seeing a financial coach, we explain where to start

Before financial coaching

- Make time to plan and review your finances. Couples should discuss financial matters openly, even difficult areas like death and illness. A list of 'what if' scenarios will help you plan.
- Write down details of your existing policies and bank accounts to make it easier for your family if something happens to you.

Seeing a financial coach

- Financial coaching is an unregulated industry, so you must do your homework. When choosing a coach, ask questions and see supporting documentation. Coaches should be able to provide details of their experience, qualifications, how they are supervised, proof of professional indemnity insurance and references from clients.
- Speak to prospective coaches and choose one you feel comfortable with (see 'Contacts', above).
- Prices vary significantly from £45 an hour to £1,000 for a six-month programme. Make sure you check in advance and choose a coach who is within your budget.

After coaching

- If you buy certain products directly from providers, especially pensions, protection and investments, you may be giving up some of your consumer rights.
- For product-specific advice, an independent financial adviser may be best. See www.unbiased.co.uk or call 0800 085 3250.
- Regularly review the interest rates you're paying on loans, mortgages and overdrafts, and the returns you're receiving on current accounts, savings and investments. If you see a better deal, consider switching.
- Keep up to date with the cost of long-term goals, whether it's checking the value of your pension fund or monitoring local house prices. Update your plans as circumstances change.
- If you plan to pay off your mortgage or retire early, ask your provider how much you need to pay each month. This will help you to convert pipe dreams into concrete plans.