



Audio transcript

The Financial Fitness Podcast – Episode 2: **Paul Stroud & Michelle Ashman**

Building a savings safety net

Paul: Welcome to the financial fitness podcast from HSBC UK. My name is Paul Stroud, your host, and I'm part of the financial wellbeing team here at HSBC UK. With my experience and with the help of guests, we'll help you improve your financial fitness, whatever your fitness level may be. We will be covering a wide range of topics, everything from first steps of budgeting and credit scoring, to how to make your money work the hardest for you. If you want to be involved, then we would love to hear from you. Visit HSBC.co.uk/podcast to provide feedback on how you're finding the content and share any questions that you would like us to cover on the show.

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In this episode, we'll be talking about what a saving safety net is, and why it is important to have one. We will also provide you with some hints and tips that will help you start building your safety net today.

So this episode I'm joined by Michelle Ashman. Michelle is one of our Customer Propositions Managers. So hi, Michelle, welcome back to the show. How are you?

Michelle: Hi, Paul. Great, thank you! Thank you for having me back. It's great to be here.

Paul: Brilliant. You're always welcome on the show, Michelle. So, as you know, we always start off each episode with a statistic. This episode is about a saving safety net. So, Michelle, do you want to talk us through the statistic?

Michelle: Yes, Paul. So the money and pension surveys have recently done a report on the UK strategy on financial wellbeing for 2020 onwards, and over 4.9 million working age people have less than £500 in savings.

Paul: Wow that's an incredible statistic. So I mean, that's what we're really talking about today, isn't it? The savings safety net. So let's start simply then, with the definition of a safety net. What does that mean to you, Michelle?

Michelle: So I always view a safety net as, you know, if something went wrong that your washing machine broke, or your fridge freezer broke, and actually you've got something there to be able to pay for that there and then without the stress and worry. And you know, when something goes wrong, it feels like the world's falling apart sometimes, doesn't it? But if you had that little bit of money behind you, actually, that could really help the situation.

Paul: So simply put, it's a pot of money that is there to help pay for any unexpected bills that might arise. For example, a washing machine breaking down. Beginning of lockdown, my cooker actually broke and we had to rush out and get another one. We spent two days cooking food on a barbecue; one of those was a very wet day cooking food on the barbecue, as is what they tend to be in the UK! But it is that type of thing, isn't it?

Michelle: That's right. And I've got a similar story from many years ago with my first car. I had to take it to the garage because it was making a funny noise, and the brake pads and discs had gone on the car, which was obviously the screeching noise that was going on! Obviously I had no clue at the time, but I didn't have any savings. I was just living life and not really planning ahead, or thinking about this kind of situation and had to put it on a credit card at the time. To which my dad was not very happy about, and he helped me out. But then, obviously, I had to pay back the 'Bank of Mum and Dad', if you like - which sometimes is more painful than interest. I hope he's not listening!

Paul: Yeah, you're at their beck and call aren't you until that's finished paying off.

Michelle: Exactly. And it was actually really stressful. You know, just thinking about 'oh gosh I've put money on my card and I hadn't really had to do that before', so you know, it was quite stressful.

Paul: And you know what's really stressful, actually is, (I'm sure most people have been there if they've got cars) waiting for that call from the garage when it's gone in for an MOT, or when you've taken it in because there's a banging noise. That waiting, knowing this is going to cost you money. And if you've got a savings safety net, you know you've always got that peace of mind that actually, you might be able to cover this without having to borrow money from anybody or from anyone.

Michelle: Yeah, that's right, exactly. Exactly that. I'm sure we're all gonna have that similar situation with: 'my car's due an MOT - it was at the beginning of lockdown - and I'm about to book it in, so we'll see what happens!'.

Paul: So in the statistic, we heard the number £500 bandied about. So, is that the number that people should get to? Because, I know for some people that might not be easily attainable, and for others, you know, it could be quite easily attainable. What sort of thing are we thinking?

Michelle: It's a really good question, actually, Paul. So I think everyone's safety net could be potentially different. But it's about starting that safety net and building it and having a habit of building as much as you can for the 'just in case'. You never know what's gonna go wrong, you can't plan for these eventualities, so obviously the more that you can have, the better. But it's about having something to cushion you from some sort of blow.

Paul: So something's better than nothing, but what we're saying is that £500 is not a hard and fast rule. Decide yourself what that limit is that you want to set, and then start working towards it.

Michelle: Exactly. Yeah, that's the best way. You know, sometimes when something goes wrong, it can tend to happen in threes. You know it's not gonna cost necessarily

£500 for a washing machine, but it could cost hundreds of pounds potentially to repair a washing machine or to get a new one. But then what if something else went wrong? And it's just making sure that you're putting yourself in the best position to start with.

Paul: And I think it's little things like that, that they build up, don't they? And actually, if you can't cover them up and you borrow money, or you find money from friends and family, it just means it puts you further back along that savings journey really, doesn't it?

Michelle: Yeah, and also it does actually make you feel better about your finances, and you feel like a little bit more in control of what's going on. You don't feel as stressed, or you feel less stressed because you're not having to actually get into debt, or borrow money from family to pay for something.

Paul: Yeah, and I guess that's where the word 'safety net' comes in. You know, you feel more confident swinging on a trapeze if you know you've got a net below you. So, Michelle, you've gone through a few of the benefits of having the safety net. And I really like the fact that it gives you a bit of comfort and can improve your wellbeing. So is there any more that you think you want to share?

Michelle: Yes. So we've mentioned about having the money accessible. And obviously the reason for that is if you had it in a fixed rate saver, for example, that it's difficult to get hold of, you could end up paying a penalty to get a hold of that money. But also talking about kind of costs of fees, if you put it on a credit card or use your overdraft, you may incur fees to do that. So therefore, a small emergency, or you know, something that's gone wrong, could end up costing you extra money. So it's just, that it is good to make sure that you're not gonna be charged kind of any penalties or lose interest or pay fees.

Paul: Yeah. And I guess if, let's say, for example, it was your fridge that went, that's £200, and you needed to replace that. You might spend 10 minutes shopping around to find the cheapest fridge. But if you put it on a credit card, and pay interest on that, all of a sudden it makes the fridge more expensive than you originally thought.

Michelle: This is it. And you know, we can't predict everything. So it's always important just to plan for something that could go wrong.

Paul: Awesome. Right, so we want to put this money away. Where should we put it away? How do we make it so it is ready for us to use?

Michelle: Yes, so I would normally say, try and have a separate savings account that you can put the money into so it's not in your current account, and you're not gonna touch it easily. However, it does need to be immediately accessible.

Paul: Okay, so we don't want to be putting it away in some sort of stocks and shares or bonds, anything that could be more complicated to cancel.

Michelle: Yes, also so it's accessible. So, for example, if I go out today and something happened, to you know, my car or my tyre or something, I need to be able to transfer that money straight into my bank account immediately, to be able to go and pay for that. So it does need to be fully accessible, but in another account ideally, so you're then not touching it, and not tempted to touch it. So you know that it's for your safety net.

Paul: Yeah, that's a good idea. So, we've talked about the safety net. Now let's talk about how our listeners can start to build that safety net. So some hints and tips on what they can do. So, Michelle, do you wanna start off with your top tip?

Michelle: Yeah, so I would say, try and sell something. So myself and some of my friends, last year just before Christmas, we got together and said, right, we've all got things in our homes and in our garage, and clothes that we don't wear, things that our kids have grown out of, toys that they don't play with anymore. So we had a bit of a competition between us all to see who could do the best, because we had talked about the safety net, and also just kind of how expensive Christmas can be. So we were saying about how much could we get to? And we did a three week kind of game, if you like, a challenge against each other.

Paul: I love that idea.

Michelle: So there's loads of different ways that you can sell things: whether you do a car boot, there's loads of different auction sites. So everyone used different ones, but we were giving each other hints and tips if we were doing well with a certain site, or if it's the wording you use. All of these kinds of things that I learned, which I never knew before, and I've learnt loads of new different sites that you can use that I didn't know before. One of my friends made over £350 in three weeks.

Paul: Wow. And that makes a huge difference. Doesn't it, a massive difference. And that's a huge chunk of the safety net done for you then, isn't it, really?

Michelle: And it's a great way to start your safety net off, and also to have a bit of a clear-out.

Paul: Also the friendly competitiveness as well, that always spurs people on.

Michelle: It really does. But honestly, it worked so well. So I'd definitely say, encourage everyone to have a look around, have a clear-out, and then anything that you don't sell, you can give to charity. So then that's another gift: a feel-good factor. So yeah, that's probably my first tip.

Paul: Brilliant, brilliant. Well, let me give you my top tip then. I love a cashback website. So there's a number of them out there and you can find them easily online. The way they work is, if you're looking at purchasing car insurance, home insurance or utilities. They actually cover off a large number of shops as well. You can actually go via them and earn some cash back. Now sometimes this is as little as 1%, sometimes it can be a fixed amount, say £10/£25. In the past, I managed to get car insurance. It cost me £387 I think it was, and I got £160 cash back. So when you start looking at savings like that, it definitely makes it worthwhile. So that's my top tip: take a look at a cash back website. Michelle, let's go back to you.

Michelle: Yes, so do you remember in our last podcast, Paul, we talked about wants and needs? So one of the things that you could do, is kind of ditch one thing. You could stop, for example...So we eat takeaways. During lockdown we've just been the worst for it as well, because it gets to the weekend and you want it to feel different and I don't want to cook, so we've been having a take away every weekend. And actually, if we stopped just one of those or two of those, we could probably save around £40 if not a

bit more per month. So I think if you just ditch one thing, whatever that may be. Something that costs, that you might do weekly - could you do it biweekly and save a couple of pounds there? And then straight away on that day that you would normally spend it, move it straight into a savings account.

Paul: Yeah definitely, that's another fantastic tip. So I also love going through direct debits and making sure you're paying the cheapest for absolutely everything. So this could be: looking at your energy supplier, it could be looking at your mobile phone supply, your TV package, etc. Take a look at some of the comparison websites, see if you can find any of them cheaper. And it's definitely worth ringing up as well, because sometimes to keep you as a customer they'll maybe put you on a cheaper deal. So there's a nice statistic that came out from Money Supermarket in March this year. So what they said is that 51% of their customers that applied to switch in March via their website, may save at least £289.40. It's very specific, and that's just looking at energy suppliers. If you start incorporating things like your mobile phone, your TV package, your insurances, all those types of things, you can actually really start to get that down, and work your way towards that £500.

Michelle: Yeah that's great, Paul. And I think a great tip. I think what everyone has to do, as soon as you do save money on whatever it might be, or you haven't spent money, or you've sold something, make sure you move that money straight into the savings account for your safety net. Because otherwise if it just hangs around in your normal bank account, it's too easy to get hold of, and too easy to accidentally have spent it already. And I'm definitely guilty of that.

Paul: Yeah, definitely.

Michelle: So another tip that I have is - and I think I heard this earlier in the year, like early January, when people are starting to try and set up good habits - saving. So you start saving, say, on the first of January or whenever. One pence today. Then I'll save two pence tomorrow. Then I'll save three pence the next day, and that goes on and on and on. And actually by doing that - and you might not notice it as much going out of your account - you will have saved without any interest, £667.95 over the year.

Paul: Wow. I'm doing it. I am doing it. I love that idea.

Michelle: It sounds so simple, doesn't it? And actually, you could suddenly have your safety net within a year, or less than a year, by doing that.

Paul: I'm looking around in my desk now for the first penny, I'm thinking, 'Can I get started on that today?!' There's actually another sort of tip that someone gave me this week that I actually didn't know. And I'm really interested in it because I think it's got a great opportunity for lots of people out there. So if you've got a skill or knowledge on a topic that others may want to learn, then you can go to a website like 'Udemy', spelled u-d-e-m-y. And they can allow you actually, to set up an online course where you can go and teach people that skill, or share your knowledge with them. So that's a really good idea for those that have got some of these key skills, and actually won't be able to use them because they're sat at home at the moment. Or even if you aren't sat at home, and you just want to learn a little bit of money to help build the safety net. That's a great one to look at. So, along with your saving a penny a day, Michelle, I think I'm going to take a look at that and see if I can share some of my skills.

Michelle: That's good to know Paul, good to know. I haven't heard of those either actually. Like you said, so many people have got some great skills that they could share and people are looking to learn, especially in the current climate. So I suppose, based on all of the tips that we've given today - and that's not covering everything, I'm sure a lot of our listeners will have even more things that they're probably thinking, 'Oh, I've done this, and this has worked for me' - you might need to do a few of these to get to your safety net. Not everyone has £500 worth of things that they could sell. Or, some people may have already switched their energy supplier, and different things. But I suppose it's taking bits of each of these, to really try to get to that safety net as quickly as you can, in the best possible way for you, personally.

Paul: So another important thing to point out as well is we've mentioned some different third party names and brands. So those are the property of their respective owners. Any product company and service name used in the podcast are for identification purposes only. And use of those names and brands doesn't imply any endorsement by HSBC. The other thing just to make sure that people are aware as well, is that the safety net won't cover off absolutely everything. So if you have had a really bad week, where your car goes, your cooker goes, your dishwasher goes, your washing machine goes, and your front door breaks - you know the safety net is not gonna cover everything! It depends on what you've got in then and depends on how much things cost.

So I think the take away points, and the things that as listeners, you can go away and really do today, is just consider: Have you got yourself a safety net? Where is that safety net sitting, so is it going to be nice and accessible? And if you haven't, what can you do to build that? Or how can you make sure that you're keeping it topped up if you ever do have to dip into it every now and then?

So thank you for joining us for this episode, Michelle, and we hope that you as listeners enjoyed it as well. Please subscribe to our podcast to make sure you don't miss out on future episodes. If you want to be involved, then we'd love to hear from you. Visit HSBC.co.uk/podcast to provide feedback on how you're finding the content, share any questions you'd like us to cover on this show, and as I said then as well, if you've got any hints and tips, send them into us please. The link is in our episode notes, and it also provides access to HSBC's financial fitness hub, where you'll find online guides to help you to continue improving your financial fitness.