

Looking after your pennies

With inflation hitting 6.2% in February and outstripping wage growth, make sure you are paying attention to what's happening to your money. We explore some ways to help keep your money where it belongs.

Tip 1: Make sure you have the right tax code

Now that the new tax year has started, it is worth checking your tax code if your earnings and/or pensions are taxed under PAYE. HMRC does not have an unblemished record of setting these correctly and, unless you complete a tax return, you could end up paying tax that you cannot reclaim – you have just missed the chance to receive a refund for overpaid tax from 2017/18. Go to www.gov.uk/check-income-tax-current-year to check your code.

Tip 2: Review what money is leaving your bank account

It is easy enough to set up a direct debit to meet regular expenditure, but it is equally easy to forget about the ones you have already set up. Have a look through your bank statement or, better still, the list of direct debits (and standing orders, if you have any). Are they all still necessary or are you paying for a membership you no longer need or a service you never use now?

Tip 3: Consider salary sacrifice to pay your pension contributions

If you are a member of a workplace pension arrangement, you may have the opportunity to make your contributions via salary sacrifice arrangements. In most – but not all – instances, this will be preferable to the more obvious method of having personal contributions deducted from your pay because of the savings on national insurance contributions that can be made. At best, your pension contribution cost could be reduced by over a quarter.

Tip 4: Check if you can now claim Universal Credit

In last October's Budget, the Chancellor announced two changes to Universal Credit (UC): a £500 a year increase in all work allowances and, more significantly, a reduction from 63% to 55% in the rate at which the benefit is withdrawn. The combination of the two meant that the income limit for UC entitlement increased significantly. You may be able to make a claim this year, which would have been pointless a year ago. For example, a single earner couple with two children paying monthly rent of £750 can have income before tax of up to £61,150 before losing all UC entitlement.

By their very nature, financial tips are general, not personal. Do ensure you seek professional advice tailored to your circumstances, should you need it.

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax and benefit advice.

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