COST OF LIVING CRISIS GAME PLAN

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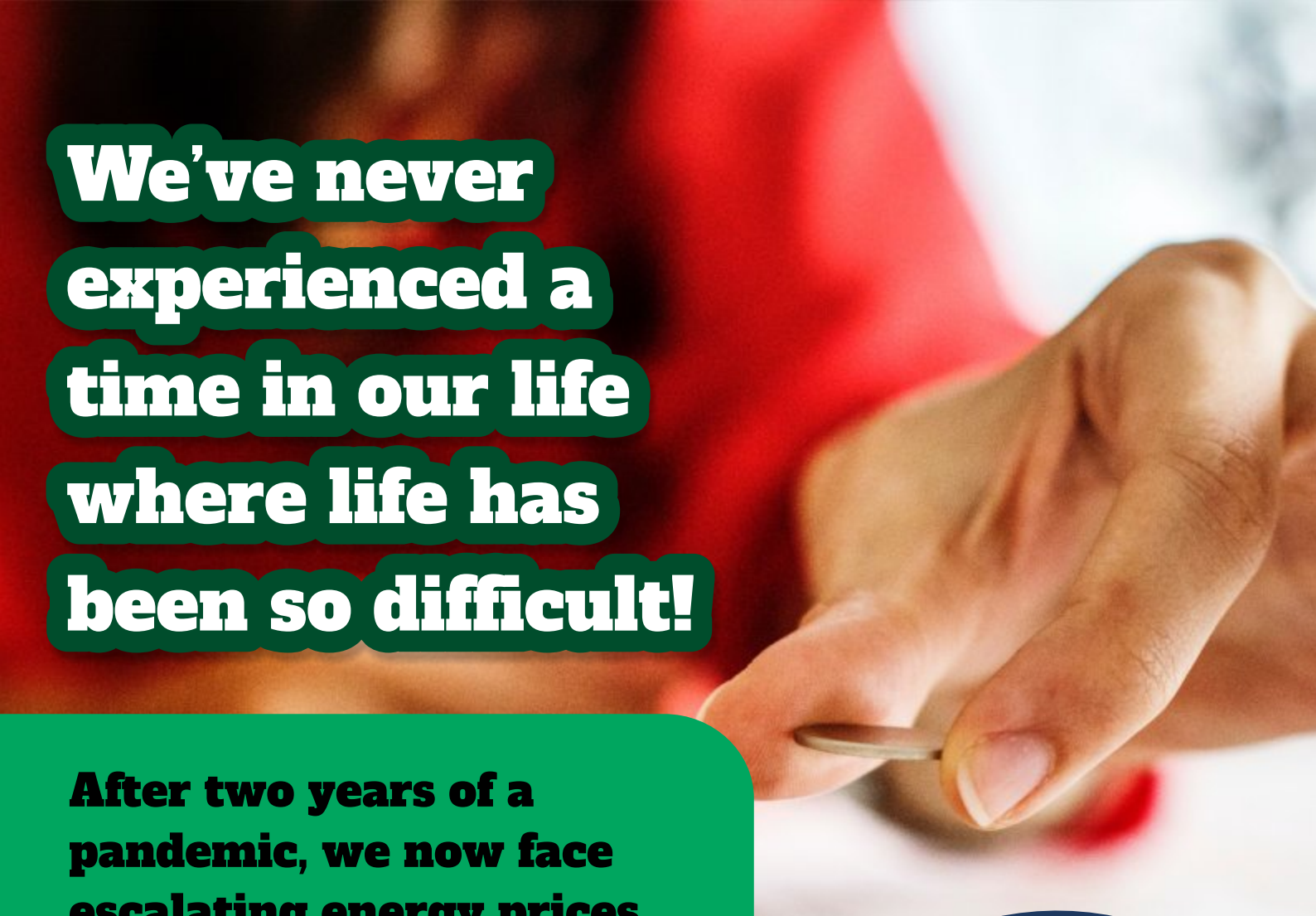
We've never experienced a time in our life where life has been so difficult!



After two years of a pandemic, we now face escalating energy prices and a cost-of-living crisis.

Inflation – it's at a 40-year high and it's making life difficult for everyone; energy prices are sky high, food is escalating and the cost of borrowing is heating up all this and there seems little support from the government and limited pay rises.

Energy costs have increased sharply, largely due to a surge in wholesale gas prices as a result of the Ukraine invasion.

Ofgem has announced the energy price cap will increase to £3,549 per year for dual fuel for an average household from 1 October 2022. That's over 178% increase since March.

Wholesale gas prices remain extremely high and volatile, and we could very reasonably see further increases in the new year.

Everyone is affected so you're not alone.

I have written this Cost of Living Crisis Game Plan to help you navigate the storm, it's written in two parts:

Part 1 – taking control

Part 2 – what benefits have been announced as at date of publication

PART 1 - Taking Control

What is the Rate of Inflation Right Now?

When we talk of Inflation, we are often referring to the Consumer Prices Index, which measures the rate at which a basket of around 700 items increases in value each year, it is currently at a 40-year high of 10.1% five times the Bank of England's target of 2% and inflation is forecast to rise over the coming months as the UK moves into the winter months and heating demands rise.

You can't control how much inflation changes from month to month, but you can stay on top of your money to handle your personal inflation rate. Even if you feel powerless against those rising numbers, there are still lots of practical ways you can control your inflation.

Let's dig into how to beat inflation one empowered step at a time.

Protect Your Four Walls Against Inflation

Watching the news and the inflation numbers climb is frightening and you experience the rising effects every time you walk into the supermarket, petrol station, or open your electricity bill.

If money is tight and getting tighter by the second, you need to make sure the most important things in your budget are covered. No, we're not talking about your Amazon Prime membership or your Netflix's subscription. You need to make sure your Four Pillars (food, utilities, housing and transportation) are paid for each month.

Here's how to beat inflation and keep your Four Pillars strong!

Food

You're not dreaming - bread is costing more these days. It seems like the price of groceries goes up with every new trip to the supermarket (and it probably does).

Get This:

Since July 2021, the price of groceries has jumped 12.6%! And like it or not, you've probably had to up your grocery budget just to cover the cost of the same items you were buying six months ago.

So, just how much are we in the UK spending these days? The average cost of monthly groceries for one person is around £189 according to NimbleFin.

So when it comes to a family of four, the average cost for their monthly grocery bill shoots up to around £708!

Ways to Save on Groceries

You might feel like you've tried everything when it comes to saving money on groceries. And maybe you have. But don't forget, saving money at the shops comes down to a lot more than just using a few store coupons and a special deal (although, I do love both of these things).

1. Shop at the cheapest supermarket.

Shocker— Waitrose and M&S won't have the cheapest prices on food, neither will your local express store. If you really want to cut back on your grocery bill, you have to rethink where you shop. Some of the top cheapest supermarkets are Lidl, Aldi and Asda according to goodto.com.

2. Look for foods that give you more bang for your buck.

Think of what you ate as a student; spaghetti bolognese, jacket potato with cheese and baked beans and chilli and rice (that's what I ate anyway!)

Rethink dinner if you need to and look for foods like this that will go a long way in your cooking. Not every meal needs to have a big slab of meat to go with it either. Meat is super expensive these days, so only buy it when it's on sale.

I have always made 'planned overs' when I make a bolognese or chilli, I make enough for the next day (spoiler alert – it tastes better the next day too!), or freeze it in portions to get out when I am in a hurry, this avoids me thinking about calling for a take-away.

The good people at goodto.com have come up with a list of 96 easy to cook meals for less than £1 per person, if you are stuck for ideas check it out.

3. Cut out the wants, and only buy the items you need.

You need food for breakfast, lunch and dinner—you don't need chocolate chip cookies, flavoured water and the fresh watermelon that costs £££ because someone else cut it for you. If your grocery budget is getting out of control, it's time to have a serious conversation with yourself about which groceries you need and which ones you don't. Call a family meeting and explain this to your children, they deserve to be kept in the loop, it will help them budget money when they are older and curb their expectations.

4. Use cash-back apps and coupons.

I really like reward apps such as TopCashBack and Quidco for general shopping, but these don't work so well with grocery shopping.

There is a growing number of grocery cash back apps, but most are new and I have not yet used any, so can't honestly recommend them, but if you wanted to try them, PlotProjects has reviewed several of them for you.

And don't forget to use coupons which can be a big help too. Supermarkets and brands offer lots of coupons for many items. Just make sure the coupon is for an item you already buy—aka don't buy something random just because there's a coupon for it.

To show you how great coupons can be, just last week I saved 50% on a regular grocery shop using coupons! Don't dismiss them.

5. Shopping ~~trip~~ Mission!

Firstly shop once a week only, many people have a big monthly shop and then pop in weekly or on an ad-hoc basis, this can significantly increase your monthly spend.

Before you go to the supermarket write down what you need (not want) to purchase on a list and stick to that list, tick off the items as you put them in your trolly. You might even want to plan your meals so you can have a meal plan for the week buying just enough of what you need to avoid the waste and those expensive re-visits, I know families that put the meal plans up on the fridge, so things don't go missing mid-week!

In most cases the supermarkets own brand item is cheaper, and arguably as good as the premium brand, I can give you that there are some exceptions to this, but in the main buy the supermarkets own brand item, or the cheapest and don't get sucked into the colourful packaging!

We're also emotional beings, and our emotions run riot when we're hungry! When you go to the supermarket shop on a full stomach this will avoid the emotional purchases, and arguably most importantly try and leave the kids at home, they have a sneaky way of adding items to the basket without you noticing!

Utilities

Have you opened up your electricity bill lately and noticed that it's doubled! Yep, welcome to the world of higher energy prices thanks to the Ukraine invasion.

Before the April 2022 the energy price cap was £1,277 per year for dual fuel for an average household, in April 2022 it increased to £1,971 per year a 54% increase and in October 2022 it will increase to £3,540 per year, a 177% increase from the pre-April figure and it's expected to rise again in 2023.

It's costing an arm and a leg to keep your home warm and keep the lights on.

Ways to Save on Utilities

Whether you're trying to cut down on your electric bill or heating bill, you can use these tips to hit back at energy prices.

1. Don't run appliances unless they're full.

The kids got some small stains all over their t-shirts, instead of washing those t-shirts alone, wait until you have enough clothes to run a full load of laundry. The average washing machine uses 590kWh, and the average dryer uses 769 kWh and that all adds up according to Major Energy.

And when it comes to the dishwasher, the same thing is true. Don't run it unless you have a full load to wash.

The Centre for Sustainable Energy has done a great summary of appliances and energy costs.

The Citizens Advice have also created a webpage that calculators how much each appliance is costing you.

2. Program your thermostat.

If you're not going to be home all day, the heat doesn't have to be pumping through the house. You can save as much as 10% a year if you drop your thermostat down 7–10 degrees for eight hours a day. So turn down the thermostat before you head out the door.

3. Use less.

This one seems like a no-brainer, doesn't it? But if energy costs are busting up your budget, one of the best things you can do is try to use less of it. Even the little things like turning off the lights and putting on an extra layer of clothing can do a lot to keep you from using more.

Housing

Like everything else right now, the price just to live somewhere is insane. And that's whether you're renting an apartment or buying a three-bedroom home. Average private rents in Britain have hit record highs, jumping by more than 20% in some areas such as Manchester, new data shows

Ways to Save on Rent

1. Get a roommate.

You may not want to live with other people, but when you're looking at massive energy bill increases, splitting the rent by 50% may look more attractive and you may put up with a few inconveniences. Just check with your landlord first.

According to SpareRoom.co.uk the average rent in the UK is £606pm up 6% from 2021, splitting this could help cover your energy bill?

2. Sign a longer lease.

If you know you want to stay in the place you're in right now, do a little negotiating with your landlord. If you sign a 12 or 18-month agreement, your landlord might drop the monthly price for you or let you lock in your rate to help protect you from that rent going up. Bottom line? It never hurts to ask.

3. Move out.

Yep, moving is the worst. Packing up all your belongings and physically moving them to a different place is a big pain. Nobody likes moving. But if you can find cheaper rent 15 miles down the road, suck it up and make the move.

Buying a house

You might have heard it's a little impossible to buy a house right now. Between inflation, housing shortages and lower mortgage rates, home values have gone through the roof. Which is great news if you're selling your house but not so great news if you're trying to buy your first place.

The national average house price increased to £281,161 by the end of June 2022 according to HM Land Registry.

Now, with the Bank of England hiking interest rates back up again to help curb inflation, house prices might slow down. Why? Well, when mortgage interest rates are higher, people can't afford to borrow so much and because of this there are usually less people in the market for homes.

Just because you want to buy a house right now doesn't mean you should. With Bank of England interest rates expected to rise later this year, we should see the housing market cool off a little as mortgage interest rates adjust to the change. If house prices right now are making your skin crawl, then just ride it out and wait for prices to come back down into 2023.

Transportation

To get from point A to point B, you need transportation. And for most people, that means a car. But unless you've got a car that runs on electric power, you're going to need petrol to keep your car on the road. Inflation (and the Russian invasion of Ukraine) has increased the price you'll pay at the pump—by a lot.

Ways to Save on Petrol

There are plenty of ways to save money on petrol that don't include having to pedal your car around like Fred Flintstone.

1. Use tech to track the cheapest petrol prices.

You don't have to waste petrol driving around town looking for a good deal, just use an app like PetrolPrices to find the cheapest petrol prices in your area.

2. Drive efficiently and make one trip.

Driving efficiently i.e. smoothly, change gears earlier and keeping your revs low can help with your MPG's.

If you have a bunch of errands to run this week? Knock them all out in one trip instead of making eight different trips to the shops during the week.

3. Carpool.

When all else fails when it comes to saving money on petrol, there's always carpooling. Hear us out — carpooling to the office, to school or to the kids' football game is a great way to build some human connection while saving money too, just ensure you do this safely.

Sites like Lift Share may help you find people to Carpool with.

4. Avoid using your AC

While it's good practice to run the air con sometimes to keep your seals healthy, you should avoid using it too much if you want to save on fuel.

Unfortunately, opening the window instead also uses up petrol because it causes a drag effect on the car.

PART 2 - What available help is there?

Two Chancellors ago, in late May, the Government announced measures design to protect retail consumers from the October 2022 Ofgem price cap.

At the time, the cap for the six months from October 2022 was estimated to be an annual rate of £2,800.

Since then, Ofgem has reduced the price cap review period to three months 'to provide the stability needed in the energy market' and announced an October-December cap of £3,549.

Projections from the likes of Cornwall Insights suggest that the next two cap reviews could take the figure up to over £6,600.

However, the volatility of gas prices means such calculations often change in a matter of days.

What are the Government doing?

The Government has taken action to support the UK public and businesses:

- A new Energy Price Guarantee (EPG) will be introduced from 1 October 2022 for two years set at an annual £2,500. This will apply on the same basis as the existing Ofgem cap, i.e. a limit on standing and unit charges for the various electricity and gas regions of England, Wales and Scotland.
- The £400 flat rate payment, spread over six months from October 2022, will remain in place (see below). Although the Government did not say so, the consequence is to create an effective price cap on an annualised basis of £1,700 through to March 2023 and £2,500 thereafter. In other words, there is still a big jump currently due in April 2023.
- The additional assistance above the £400 flat payment announced in May by Rishi Sunak will remain, see below.
- In addition, households with heating oil and LPG will have access to a discretionary payment.
- The Government says it 'will also support all business, charities and public sector organisations with their energy costs this winter, offering an equivalent guarantee for six months'. After that period further (unspecified) support will be given to vulnerable industries, such as the hospitality sector.

Cost of Living Payment

This is a payment made in two parts only to those on benefits.

If you are on means tested benefits (Universal Credit, Income-based Jobseekers Allowance, Income-related Employment and Support Allowance, Income Support, Working Tax Credit, Child Tax Credit, Pension Credit) you will receive a payment of £650 paid in two parts, £326 and a second of £324.

The Department of Work and Pensions made the first payment in July, the second will be in the autumn. However, if you are on Tax Credits, the payments will be from HMRC and the first payment will be from 2nd September and the second payment sometime this winter.

The government will make these payments directly to households across the UK.

Pensioner Cost of Living Payment

All pensioner households will receive an extra £300 to help them cover the rising cost of energy this winter. This payment will go to the over 8 million pensioner households who receive the Winter Fuel Payment.

The Pensioner Cost of Living Payment will come as a top-up to annual Winter Fuel Payments in November/December. For most pensioner households, this will be paid by direct debit, it is not taxable and does not affect eligibility for other benefits.

The government will make these payments directly to households across the UK.

Disability Cost of Living Payment

People with disabilities will receive an extra £150 on 20th September to help with the particular extra costs they face.

Six million people who receive Disability Living Allowance, Personal Independence Payment, Attendance Allowance, Scottish Disability Benefits, Armed Forces Independence Payment, Constant Attendance Allowance and War Pension Mobility Supplement will receive the support as a one off payment in September. These payments will be exempt from tax, will not count towards the benefit cap, and will not have any impact on existing benefit awards.

The government will make these payments directly to households across the UK.

Housing Support

The Household Support Fund will provide £1.5 billion this financial year to help households who are not eligible for other kinds of help or need further support.

The Household Support Fund helps those in most need with the cost of essentials such as food, clothing and utilities and, in England, and is distributed by Local Authorities.

£400 Energy Payment

All households in England, Scotland and Wales will receive the £400 payment to help offset the soaring increase in energy bills from October.

Every household with a domestic electricity connection will be automatically eligible for the grant.

The £400 discounts will start in October and will be paid out to consumers in instalments over six months. They will be administered through the energy suppliers.

The discount will be deducted from your energy bills in instalments of £66 in October and November, rising to £67 each month from December through to March 2023.

Council Tax Rebate

Around 20 million households in England in council tax bands A-D received the £150 rebate which was paid in April-June.

If you are unsure of your council tax band, check your council tax band via your printed council tax bill or at: https://www.gov.uk/council-tax-bands. If you have not received your rebate then please contact your local council, some councils require an application where others have just written to the occupant.

Providing payments of £200 for households with someone of State Pension Age, or £300 for Households with someone aged 80 or over. These payments happen every year.

Cold Weather Payments

£25 extra a week for poorer households when the temperature is zero or below.

The Warm Homes Discount

For The Warm Home Discount Scheme you could get £140 taken off your electricity bill during the winter period.

This money is not paid directly to you and is instead a one-off discount on your electricity bill between October and March. The scheme will begin for winter 2022/23 in November, here's how to find out if you are eligible.

If you are eligible, you will receive a letter in the post telling you to call a helpline and confirm your details. However, if you do not receive the letter but feel you are still eligible then you will need to contact the Warm Home Discount helpline on 0800 731 0214.

Summary

These are unprecedented times, and for most of us we cannot continue living and spending how we have been living, however this time will pass and if we preserve what we have, and perhaps prosper and learn new habits, we can come out the other side in a stronger position than we went in.

My father was born in 1925, he is American, and when he was born it was the Great Depression, the skills he learnt growing up meant that he's very careful with money, he has never been in debt and without ever earning more than an average wage, he's never gone without and always enjoyed a holiday.

This time will pass, what can you learn from it, I know I am learning how to budget better again.

For more helpful information and guides for personal finance please visit warrenshute.com

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