



# COST OF LIVING GUIDE

Coping with the significant lifestyle  
changes in response to price rises

# HOW TO COPE WITH THE RISING COST OF LIVING

## Nine in ten adults make stark spending decisions as anxiety runs high

The pressure of spiralling living costs is a major concern among many UK households, with the vast majority looking to make significant lifestyle changes in response to price rises.

According to new research[1], 95% of adults in the UK say they are worried about the anticipated rise in the cost of living in 2022. Women are the most worried, with a third (33%) mentioning they are extremely worried compared to a fifth (22%) of men.

### Cost of living increases

The expense most UK households are concerned about is the rise in energy bills (92%), with three in ten (29%) being extremely worried about this, followed by food shopping (87%). Cost hikes to phone and internet contracts, which typically increase by the more than the Consumer Price Index (CPI) rate, concerns 84% of UK adults.

The level and speed of price rises means nine out of ten of us (89%) are looking to make changes to pay for the cost of living increases. Worryingly, the option for a fifth (21%) of people is to borrow their way out of trouble, with 7% admitting they simply don't know how they'll cover increases and 5% of workers saying they are considering taking out a short-term (payday) loan.

### Cut back on costs

Two-thirds (66%) of people say they will change their food shopping habits, with half of these saying they'll reduce the amount of food they buy. Other solutions to cut back on costs include reaching for the thermostat and reducing the length

of time the central heating is on (46%), turning off the heating in unoccupied rooms (36%) and nearly a fifth (17%) taking the drastic action of turning the heating off altogether. As part of the cutting-back regime, half (48%) of fulltime workers feel they'll be forced to reduce or stop saving altogether.

On top of rising costs, National Insurance contribution rates increased from April, just as energy bills rise more steeply, which will dramatically affect take-home pay. For an individual on a salary of £50,000, that will mean an extra deduction of £464 a year, or £214 for someone earning £30,000. Worryingly, a fifth of workers (20%) say they are not aware of these changes, and two-fifths (43%) say whilst they are aware, they are not prepared for the changes to start.

### Anxious about finances

Just as families in the UK felt they'd seen the worst of the financial impact of COVID, they're facing a dramatic rise in their household bills. People are having to make difficult choices in an attempt to reduce the impact of rising energy bills, higher inflation, tax hikes and potential interest rate increases. Understandably, this has made many people anxious about their finances, but it's also testing their financial resilience.

Household bills are rising steeply, with the cost of filling up the car at the pumps having reached eye-watering levels, leaving families up and down the country worried about their ability to make ends meet. Concern is so widespread that families who, on the face of it, would

be considered financially comfortable and even those with six-figure incomes are deeply worried.

### 10 ways to help manage your finances

#### 1. Save money on your energy bills

If you're finding it hard to pay your energy bills, contact your provider as they should help you with ways to pay and don't be afraid to ask for help from a debt advice charity if you're struggling.

Switching your energy supplier used to be a good way of saving money on your household bills, but with energy prices soaring, you're probably better off staying on the standard tariff with your existing supplier once your fixed tariff comes to an end. Some suppliers aren't taking on new customers, and that way you're protected by the energy price cap. The government-backed website – Simple Energy Advice – has tips on how to keep your energy bills down.

#### 2. Save money on petrol

Try using a fuel price checker site to check that you're always getting your fuel for the cheapest price possible. Other ways to save include: driving at a lower speed and avoiding accelerating and braking quickly if you can; making sure your tyres are at the right pressure; and taking out anything heavy in the car that you don't need to carry.

#### 3. Food bills

Grocery bills can make up a big proportion of your household spending so it makes sense to look

for savings. Plan your meals for a week and then write your shopping list – this will help you avoid buying unnecessary items. Consider changing to a cheaper supermarket or to different brands if you prefer a particular supermarket.

#### 4. Water bills

You can't switch water suppliers but there are steps you can take to keep your bills down. Check if you'd save money by switching to a water meter. You can use the Consumer Council for Water's calculator. If you're on certain benefits and have a large family or someone with a particular medical condition, you may qualify for the WaterSure scheme, which caps water bills. Meanwhile, if you're on a low income or receiving benefits, check what additional assistance your water company offers.

#### 5. Council tax

Depending on your circumstances and who is living with you, you may qualify for a Council Tax discount. For example, you can get a 25% discount if you're the only adult living in the property. Find out what discounts are offered by your local council at GOV.UK.

If you're on a low income or certain benefits you may be able to get a Council Tax Reduction. Your bill could be reduced by up to 100%. There's a different scheme in Northern Ireland.

#### 6. Check if you're entitled to state benefits

Billions of pounds of state benefits go unclaimed each year, and you could be missing out. The national charity Turn2us has a free and confidential benefits calculator on its website (<https://benefitscalculator.org>).

turn2us.org.uk/), which can help you work out which means-tested benefits you're entitled to. It also has a grant search tool (<https://grants-search.turn2us.org.uk/>) for information on grants you may be able to apply for.

#### 7. Find out where your money's going

Start by finding out where your money's being spent. It sounds obvious, but we may not realise exactly how much we're spending each month – and what we're spending it on – until it's laid out in front of us.

Review your last three bank statements and credit card bills (or check online) and spend some time going through them, highlighting any areas where you think you're spending money unnecessarily or spending too much. This could be on anything from a top of the range broadband package that you don't need, to a mobile phone contract where you're paying for data you don't use.

Every month money is wasted on unused subscriptions, with the most common wasted money on gym memberships. A fifth (19%) of UK adults said they planned on cancelling TV subscriptions (e.g. Netflix, Amazon Prime). Even magazine subscriptions of a few pounds a month are money down the drain if you don't have time to read the magazine. Take a few minutes and cancel any subscriptions you don't really use to save yourself a bit of cash.

#### 8. Draw up a budget

Drawing up a weekly or monthly budget will help you get your finances under control. It's just a list

of money you have coming in and what you spend and it doesn't have to take long to set up. There are plenty of templates online to get you started. Alternatively, budgeting apps can also be used to plan what you want to spend and keep track of it.

#### 9. See if you can pay less interest

If you owe money on an expensive credit card, it may be worth considering whether you can transfer the balance to a credit card charging 0% interest. Although these cards are interest free, you will normally be charged a balance transfer fee of between 1 and 3% of the amount you transfer. Because you won't be charged interest on your balance, more of your money can go to repay what you owe.

These cards aren't right for everyone, and it's important to make sure you can pay off your balance by the time the 0% interest deal runs out. It may also affect your credit score, especially if you do it multiple times.

#### 10. Get help with unmanageable debts

If you are struggling to pay for the essentials, you are using one credit card to pay off another or your debts are causing you worry, then contact a debt advice charity, such as StepChange. They will be able to give you help with your debts, free of charge.

#### Need help to make the most of your money?

Rising inflation and increases in taxes are set to leave millions worse off in 2022. Worrying about money can impact your mental health, seek help if you are concerned about your financial situation.



For further information please contact:

**Pierce**

Mentor House,  
Ainsworth Street,  
Blackburn,  
BB1 6AY

**E:** [enquiries@pierce.co.uk](mailto:enquiries@pierce.co.uk)

**T:** 01254 688100

Source data: [1] Royal London commissioned a survey by Opinium between 25 February and 1 March 2022 with a sample of 4,001 nationally representative UK adults. <https://www.royallondon.com/media/press-releases/press-releases-2022/march/cost-of-living/>

Personal circumstances differ and not all of this information is applicable to every client and/or their business, this information is general in nature and should not be relied upon without seeking specific professional financial advice.

The Financial Conduct Authority does not regulate Tax Advice, Estate Planning or Will Writing.

The content in this brochure is for your general information and use only and is not intended to address your particular requirements. Content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. Past performance is not a reliable indicator of future results.

Pareto Financial Planning Ltd is authorised and regulated by the Financial Conduct Authority.  
Pareto Financial Planning Ltd is registered in England and Wales No. 06582775. Registered Office Level 7,  
Tower 12, The Avenue North, 18-22 Bridge Street, Spinningfields, Manchester, M3 3BZ