

# Don't Struggle with Debt Alone: Help for the Single Parent



Debt Guides

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**These Tough economic times have hit single parents in the UK particularly hard, with many racking up significant amounts of debt to simply make ends meet. Many single parents admit they live in debt constantly, using debt to manage their daily living expenses.**

**Because credit is not as easy for single mothers to attain, they often must rely on doorstep lenders or mail order catalogues to secure credit that is much more expensive than mainstream lenders provide. In addition, a significant number of single mothers do not have a UK bank account, so they miss out on the many benefits traditional financial management strategies offer.**

**If you are in this category, you may be feeling overwhelmed with the cost and responsibility of caring for your family on your own. You may not always have the money to cover the bills each month, and you may be faced with difficult decisions like paying the heating bill or buying food for your children.**

**If you are in this situation, take heart. There are many sources of assistance available to single mothers in the UK today, ranging from government programs to help with the bills to agencies that can help you pay down your debt.**

**Consider these following solutions to your financial challenges and take a step toward better financial health.**

## **Assistance Options for Single Parents**

There is no doubt that many single mothers in the UK struggle with incomes significantly less than couples typically enjoy. That is why there is assistance available to UK parents in this situation, ranging from a job grant to income support. We have listed a number of potential options here to get you started.

### ***Child Maintenance***

Child maintenance is payments made from the parent that the child does not live with full-time. This money, which is usually received in regular increments, can be used to pay the child's living and educational expenses.

Child maintenance agreements can be made as a private agreement between you and your child's other parent, or it can be formally arranged through the Child Support Agency. If the agreement is formed through the CSA, it is in effect until the child reaches the age of 16, or the age of 19 if he or she is still in full-time school during that time.

### ***Job Assistance***

There are a number of job-related assistance programs available to single mothers who are trying to support themselves and care for their children at the same time. These programs include:

- **Jobseekers Allowance** – This benefit is available to individuals who are actively seeking employment or who are working less than 16 hours each week. It can be used to pay your bills until gainful employment can be found.
- **Income Support** – This is used to supplement income that is not sufficient to pay all of your bills. It is available to single parents who can show a financial need for the service. The amount you can receive is based on your age, income, savings and the number of dependents living with you.
- **In-Work Credit** – This tax-free payment is available to single parents who have been claiming other benefits and go back to work at least 16 hours a week.
- **Job Grant** – Once you go back to work more than 16 hours a week and stop receiving other benefits, you become eligible for a job grant. This tax-free benefit assists you with expenses your income may not be sufficient to cover.
- **Childcare Costs** – If you must seek childcare while you work, there is also funding available to help with these costs. Eligible individuals must select a registered childcare provider and work in a field related to your chosen career.

There are many assistance options available to single mothers who are having difficulty making ends meet. Through these options, additional debt can be unnecessary in many cases.

However, there may be times when a loan is essential to make a large purchase like a car or home. In these situations, it pays to be educated about the different types of loans available, so you can borrow money as cheaply and responsibly as possible.

## Loan Options for Single Parents

Not all loans are considered equal. Evaluate these lending options to ensure your borrowing is responsible and affordable.

- **Debt Consolidation Loans** – These loans are designed to put all of your monthly obligations into a single, affordable payment. Debt consolidation loans usually come at a lower interest rate than most credit cards and other forms of unsecured debt, saving you money on finance charges and interest in the long run. However, taking on addition debt to pay of existing obligations is a decision that should not be taken lightly. Make sure you can afford the new monthly payment, do not use your home as collateral, and never borrow additional money beyond your outstanding debt amount.
- **Car Loans** – A car loan is often a necessity for someone who needs a new vehicle, since most single mothers do not have thousands of pounds sitting in a savings account for just such a situation. Car loans come in many different shapes and sizes, so shop around for the most favorable rates and terms to ensure you get the best deal. Most car loans require that you have a current UK driver's license, full-time employment and a UK bank account with direct debit.

Even when you shop around for the best deal on a loan, debt is something that needs to be used responsibly and sparingly. In addition to using caution when shopping for a loan, there are steps you can take to reduce the need for debt in the first place.

## 10 Debt Management Strategies

Managing debt can either involve dealing with debt that has already accrued or avoiding it in the first place. These 10 debt management strategies give you the tools you need for sound financial management, no matter what your current situation might be.

1. **Track your Spending** - You can't get a handle on your cash flow until you know where it's flowing. Spend a few weeks writing down every pound you spend, whether it is on groceries, utilities or a quick cup of tea. It may seem like a lot of work, but the knowledge of where you spend your cash is valuable information that will help you manage your finances more effectively.
2. **Categorize and Set Limits** - With a listing of your expenditures at hand, you can categorize your spending into a few key groupings. Some examples might include rent, utilities, groceries, entertainment and school expenses for your children. Make enough categories that you can control spending easily, but not so many that your budget is too complicated to track. Once your categories are determined, set spending limits for each based on your spending habits you ascertained in the first step.
3. **Keep up with Your Finances** - Budgets are only effective if they are used, so make a habit of catching up your income and expense recording two or three times a week. This will give you an idea if you are spending too much in one category for that month, allowing you to make necessary adjustments in other categories when necessary.
4. **Begin a Savings Plan** - Savings plans don't have to begin on a grand scale to be effective. Begin by committing to putting £5 in each month. It may not seem like your savings balance is growing that quickly, but if you don't touch the money for a few months, you will begin to see some progress. Savings are a key factor in avoiding debt because it gives you money for emergencies like car repairs or medical bills for which your budget doesn't allow.
5. **Pay off Expensive Debt First** - Your budget plan should also include a list of your outstanding debt and the amount of your monthly payments. Obligations will be paid off much quicker if you make more than the minimum payments each month. Put the extra onto the higher interest cards first. Once those are paid off, move your additional payments to the less expensive obligations until everything is paid in full.
6. **Avoid Additional Debt** - The worst thing you can do when paying off debt is to rack up more at the same time. Get rid of credit cards by cutting them up and cancelling the accounts. If you can't bear to part with all of your cards, give one to a trusted friend for safekeeping. If you find yourself in a dire financial condition, your friend can help you determine if it is worthy of credit card use.

7. **Beware Impulse Spending** - Retailers bank on the fact that shoppers will buy items on impulse, and they gear much of their marketing strategies to this fact. Never buy a product on impulse; instead, wait 24 hours before making a purchase to give yourself time to determine a payment plan. This will protect you against numerous additional purchases that you didn't really need, but seemed too good to pass up at the time.
8. **Become a Savvy Shopper** - Savvy shoppers know the best time of year to buy winter clothing and sheets for the bed. They know where the best prices can be found and who offers the best sales. Savvy consumers comparison shop before making any purchase, and they research even more to ensure large purchases are a good value. Savvy shoppers get the most for their hard-earned pound.
9. **Learn Energy Efficiency** - Utility bills can seriously eat away at your budget, so learn how to save on essentials like heat and electricity. Simple habits like unplugging appliances when not in use and placing weather stripping around windows and doors can save a bundle on utility costs. It may only be a few pounds here and there, but the savings will add up on an annual basis.
10. **Make Full Use of Help Available** - We listed a number of assistance programs with single parents in mind. Take advantage of as many as you can – at least while you are in the throes of digging your way out of debt. Every little bit of assistance will make a big difference in how far you can stretch your pounds every month.

In addition to these 10 budget-saving strategies, there are some common mistakes that single mothers make. By avoiding these financial traps, you can keep yourself on the straight and narrow when it comes to your budget.

## 5 Financial Traps to Avoid

When you are trying to regain financial health as a single mother, there are some traps that could easily sabotage your efforts. Here are five traps to avoid if you want to maintain a healthy financial status:

- **Expensive Credit** – Desperate times call for desperate measures, but don't let your financial desperation lead you down the path to expensive credit. Single mothers who are having trouble making ends meet often fall prey to doorstep lenders who offer quick fixes to their financial woes. However, these loans usually come at a steep price that will only serve to get you in more trouble in the long run. Avoid them at all costs.
- **Using Credit as Income** – When you begin using credit to pay your living expenses, the balance mounts very quickly. Never use credit to pay for utilities, rent or groceries if you can help it. Instead, look for assistance in one of the many programs listed above or get help from a debt management company.
- **No Bank Account** – Establishing a bank account with a direct debit option is an easy way to manage your finances and get breaks on some of your financial obligations. Many companies offer discounts to customers who use a debit card for payment.

- ***Intimidating Debt Collectors*** – A debt collector makes his money rounding up outstanding balances for his clients, and he will often use any means necessary to achieve his goal. If collectors are beginning to harass you for payment, it is time to seek help from an insolvency agency that will help you get out of debt safely and affordably.
- ***Declaring Bankruptcy*** – Many single mothers are so overwhelmed with debt they simply want to declare bankruptcy and start fresh once again. However, bankruptcy should only be used as a last resort after other means of debt management have been explored. Talk to an insolvency expert about your options before resorting to a bankruptcy declaration.

## Help for Debt

There are options for debt relief beyond bankruptcy. Two possibilities include:

- ***Debt Management Plans*** – A debt management plan may be worked out between you and your creditors directly or with the help of a third party. Creditors agree to a lower payment amount each month so that you can pay off your debts in a more affordable fashion. In some cases, creditors may also agree to waive late fees and interest charges to make the outstanding balance even easier to manage.
- ***IVA*** – An Individual Voluntary Agreement, also known as an IVA, is similar to a debt management plan, but more formal in nature. It must be arranged through a licensed insolvency practitioner, who approaches a person's creditors with a request for an adjustment to the outstanding loan balances. Creditors often agree to a reduced balance, while waiving late fees and interest charges, in order to collect as much of the outstanding balance as possible. The individual makes a single, affordable monthly payment to the insolvency practitioner, who then doles out the appropriate amounts to all the creditors. IVAs last five years, at which time the obligations are considered paid in full.

There are pros and cons to both the debt management plans and IVAs. To ensure you find the best program for your needs, talk to an experienced debt management professional. This person can present both solutions as they pertain to your specific financial situation so you can select the best debt solution for your needs.

While it is not unusual for single mothers to find themselves with more debt than they can handle, it is not a desirable position in the slightest. If you are a struggling single mother, there is help available.

Begin by educating yourself about the assistance programs offered to see if you qualify. Next, learn savvy money management skills that will help you stretch your pounds as far as possible. Finally, get help with your debt by talking to a professional about the best debt solutions for your specific situation. Better financial health is on the way.

## Further help and information

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### **Gingerbread**

Tel: 0808 802 0925 (Open Monday to Friday 9am to 5pm, Wednesdays 9am to 8pm)

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Website: [www.gingerbread.org.uk](http://www.gingerbread.org.uk)

### **One Space**

Website: [www.onespace.org.uk](http://www.onespace.org.uk)

### **Direct Gov**

Website: [www.direct.gov.uk](http://www.direct.gov.uk)

Financial Help for Lone Parents:

[http://www.direct.gov.uk/en/Parents/Moneyandworkentitlements/YourMoney/DG\\_4003043](http://www.direct.gov.uk/en/Parents/Moneyandworkentitlements/YourMoney/DG_4003043)

### **Child Maintenance Options**

Website: [www.cmoptions.org](http://www.cmoptions.org)

### **Lone Parents**

Website: [www.lone-parents.org.uk](http://www.lone-parents.org.uk)

### **One Parent Families Scotland**

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**Remember: You can always contact us for advice about any problems you are experiencing in dealing with your debts.**

**Free phone 0800 043 3329**

**Website [www.iva.net](http://www.iva.net)**

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