

Stretch your salary and boost your income

Whether you are working or retired, there are plenty of ways you can save on your spending and bump up your income. **Sam Barrett** shows how you could be quids-in in no time

Making savings on everyday living expenses is a great way to stretch your salary or boost your income. Supplement this strategy with extra earnings and you'll free up plenty of cash to save, invest or maybe even spend.

"I challenge people to spend a few hours working through their finances to see where they can save money," says Clare Francis, spokesperson for Moneysupermarket.com. "You can save hundreds of pounds a year simply by switching car and home insurance and energy and home service providers. And, if you have debts such as a mortgage or credit card, the savings could add up to thousands of pounds a year."

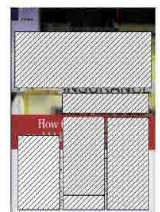
To illustrate this, Moneysupermarket.com ran some figures to show how much you could save by shopping around. It found that a typical family could save as much £3,018 in one year (see box on page 22) by

switching to more competitive providers for their financial and household services (mortgage, utilities, mobile, car and home insurance, loan and credit card). "There's no hard and fast rule as to how often you should review your finances but it's a job worth doing at least once a year or more often if you have products with short-term bonuses or interest-free periods," says Francis, adding that it's worth noting these dates in your diary so you're ready to switch.

SMARTER SPENDING

As well as reviewing these types of products, smarter spending can make significant savings. For this, the internet has made life much easier. Shopbots such as Kelkoo (kelkoo.co.uk), PriceRunner (pricerunner.co.uk) and Shopping (shopping.com), help you find out which retailer has the best price on any item you want to buy. As an example, if you fancied a Dyson Animal vacuum cleaner, input this into Kelkoo and it will show you the price at its listed retailers - anything from £213 to £305.49.

Cashback sites such as Greasypalm



(greasypalm.co.uk), Internet Cashback (internetcashback.co.uk) and My Shopping Rewards (myshoppingrewards.com) can also help you stretch your cash, rewarding you whenever you shop. These sites have deals with retailers so whenever you buy from them you receive a set amount or a percentage of what you spend (see case study box page opposite). For example, Internet Cashback offers £37.50 cashback if you take out home or car insurance with Prudential, 5% cashback on shoes from Office and between 1.5% and 2.5% cashback on computer games and software at Game.

CASH IN ON YOUR HOME

Your home is also a potential money-spinner. In addition to wiping a sizeable chunk off your monthly mortgage repayments by remortgaging, it's possible to use your bricks and mortar to make some hard cash. If you've got the space then you could take in a lodger, taking advantage of the Government's Rent a Room scheme. This allows you to earn up to £4,250 a year tax-free if you rent a room in your house. "If you rent rooms to two lodgers you can't spread the exemption across the two. For example if you let two rooms at £3,000 each, you'll only be able to claim £3,000," says Ray Boulger, senior technical manager at John Charcol, an independent mortgage adviser.

As well as long-term rental possibilities, you might be able to rent it out for short periods, potentially making even more money. "Short lets, which are anything from a few weeks to six months get between 40% and 150% more than long lets. However, if you have a house to let during Wimbledon fortnight, for example, you can get substantially more," says Sarah Shortridge, director of short lets and corporate services at Foxtons. Depending on demand she says that you might be able to ask £10,000 a week for a house that would normally rent for £2,000. "Get two players wanting your house and the price can shoot up," she says.

You don't just have to live in SW19 to cash in on short-term lets. Close proximity to other sporting events can also be prof-

itable. These could include Ascot, Henley for the Regatta and, come 2012, East London homeowners should also feel some of the benefits when the Olympics come to town. Those living in central Edinburgh can also rake in a small fortune if they're prepared to vacate their property during the festival in August.

You may also be able to make money by realising your home's star potential. Film and TV production and advertising companies are always on the look out for property that can be used as a set. Depending on the use, you could net anything from £200 to £5,000 a day. "It takes a certain type of homeowner to hire out their property," says Louise Myers, senior location co-ordinator at Location Works, the UK's longest-standing location resource company. "Some of the smaller shoots may only involve a model and a photographer but if your home is used for a big filming job or a music video you could have 25 to 30 people taking over your home. You do need to be quite laidback but most of our owners love it."

Current trends are for faded grandeur and industrial spaces, especially for fashion photography, but as well as unusual and aspirational property, there's always demand for the more standard housing stock, even pebble-dashed semis. Kell Gatherer, founder of Location Works, adds: "For film work you need to have a space for the crew, so, as an example, a kitchen knocked through to a breakfast room would work well. Location is also important. A film crew won't travel 100 miles or more if they can find the same style of property within a few miles."

There's no guarantee your home will get picked or that you'll have supermodels on your sofa or Daniel Craig in your dining room, but given the fact it's free to register your home, it may well be worth giving it a shot.

Come holiday time swapping your property is another option for saving money. Home exchange services such as Home-Link International (homelink.org.uk), Home Base Holidays (homebase-hols.com) and Intervac (intervac.co.uk) enable you to holiday in someone else's home, anywhere

in the world, while they spend time in yours.

There is a charge to use these services. For instance, HomeLink charges an annual membership fee of £115, Intervac £74.99 a year and Home Base Holidays £29 a year. However, providing you're happy for someone else to use your home as their own, home exchange schemes can save you hundreds of pounds in hotel bills as well as giving you access to a more authentic experience.

TOP UP RETIREMENT INCOME

If you're retired, additional factors come into play when it comes to stretching your income (see box on page 24). Unless you've taken an investment-based annuity or you're in an unsecured or alternatively secured pension, it's likely your income will be the same for the rest of your life or, at most, inch up in line with inflation. This makes it even more important to get the most out of your finances, shopping around to save as much as possible.

As well as shaping up your finances by switching to better-value products and services, it's possible to make extra money in retirement. Age discrimination rules mean that your date of birth can no longer be taken into account when you apply for jobs and some employers, notably B&Q, Asda, Barclays and Nationwide, have been encouraging older people to work for them for some time now. Working need not mean returning to the 9-to-5 routine and instead you can look into part-time options that will allow you to boost your income without sacrificing all your free time.

Freelance work is another flexible option, allowing you to tap into the skills you developed during your work career. This is something 54-year-old Charles Crawford started doing this year. At the end of 2007 he retired from a 28-year career in the UK's diplomatic service, which had seen him serving as an ambassador in Sarajevo, Belgrade and Poland. "I wanted a change," he explains. "I took early retirement and we moved back to England where I am building

up a number of freelance careers including training and coaching diplomats, mediating and writing."

One of the tools Charles uses to help him find work is PeoplePerHour.com. This website was set up by Xenios Thrasyvoulou in 2007 and uses some of the same principles as eBay. "If you're looking for freelance work you can upload your profile for free. Over time you'll build up a track record, in much the same way as on eBay. People post up the work they have on offer and you can bid for it, with the successful bidder being the person whose experience and track record fits best," explains Thrasyvoulou.

Seven months into freelancing, Charles has the following advice for anyone considering supplementing their income in a similar way. "Put the formalities such as the accounts in place first as this will save time," he says. "I'd also recommend setting up a website. Mine (charlescrawford.biz) has been very useful as a shop window."

Whether or not you return to the world of the gainfully employed to supplement a pension, it's worth making sure your money is still working hard for you in your retirement.

At this time, the emphasis for any investment strategy will be on generating an income rather than producing capital growth. "You can expect a yield of around 5% on a corporate bond fund and around 3.5% on equity income," explains James Davies, investment research manager at independent advisers Chartwell Group.

Although these yields can easily be beaten by some of the more competitive savings accounts without any risk to capital, Davies says that you should still consider stockmarket investments in retirement. "If you retire at 60, you could have another 20 years or more and while inflation will erode your capital in a savings account, with equities there is an opportunity for capital growth too."

On the equity income side, he recommends taking a global approach as markets, especially in Europe, are becoming more aware of the importance of shareholder value. In particular he recommends the Resolution Argonaut European Income

fund and the Newton Global Higher Income fund.

For corporate bonds, Davies also has a couple of favourites. "A good plain vanilla fund is the Old Mutual Corporate Bond fund, which holds some lower-grade bonds but is essentially investment grade," he explains. "For something slightly different I'd go for the M&G Optimal Income. This can invest in equities and derivatives which can protect against falling yields."

You may also want to consider using up your annual capital gains allowance (£9,600 for the 2008/09 tax year) to boost your income. "If you've built up a large basket of stocks and shares then, even in the present market conditions, you could be sitting on a large capital gains tax liability. Selling some to use up your annual allowance will help to reduce this while also giving you an additional income stream," explains Davies.

You can reinvest some, or all, of the money once you've realised the gain to create a more income friendly portfolio. But, to avoid falling foul of HM Revenue & Customs's rules you must wait 30 days if you're putting the money back into the same investments. Fail to do this, and it'll appear as if you never sold, meaning your gain will remain intact.

Whether you are in retirement or still in work, taking the time to review your finances can take some time. However if you are prepared to put in some legwork to ensure your money is working as hard as it can, and are able to 'think outside the box' it's easy to make more of the money you do have and even earn a bob or two more. ●

MAKING SHOPPING PAY

Secondary school teacher Deborah Raynor, 27, signed up to cashback website, Internet Cashback, in 2007 when one of her colleagues recommended it to her.

After her first purchase, a watch from Ernest Jones, netted her 7% cashback Deborah was hooked. "I love the idea of making money from what I like doing best – shopping," she says. "I'll still go shopping on the high street to see what things cost but then use the internet to save money when I buy things."

Since joining the site she's received cashback on a variety of purchases including 5% on shoes from Office, 2.5% from Miss Selfridge and 2% from CD Wow. She's also splashed out on computer games for her boyfriend, getting 2.5% cashback from Game. She's also claimed back £37.50 from Prudential, when she switched to its home insurance, and a further

£37.50 from More Than when she took out its car insurance. In total she's received three cashback cheques adding up to £224.

"The site had cashback offers on just about everything I've wanted to buy in the last year," Deborah adds.

"I know I'm paying the cheapest possible price because I use comparison sites to find the best price before going to Internet Cashback to claim my cashback. It's saved me hundreds of pounds, I'd definitely recommend it."

HOW MUCH COULD YOU SAVE BY REVIEWING YOUR EXPENSES, PART ONE:
THE TYPICAL FAMILY
 Andrew and Sarah Carter have two children Lucy, eight, and Peter, five. They live in a three-bedroom house in north London.

	OLD COST	NEW COST	ANNUAL SAVING
MORTGAGE £150,000 on £500,000 house	£13,128.84 a year Halifax, 7.24% fixed until 31/07/10	£11,740.56 a year Yorkshire Building Society, 5.99% fixed until 31/08/10	£1,388.28
CREDIT CARD £2,000 debt	£329.37 in interest a year Abbey, APR 18.9%	£60 balance transfer fee to an 0% Capital One card	£269.37
HOME INSURANCE £200,000 buildings and £60,000 contents	£774.98 a year Legal & General	£283.93 a year LV=	£491.05
CAR INSURANCE VW Golf 1.6, 2007 registration, fully comprehensive	£624.68 a year MoreThan	£220.11 a year Swiftcover	£404.57
GAS AND ELECTRICITY	£1,057.11 Gas – £655.83 from British Gas Electricity – £401.28 from EDF Energy	£832.20 British Gas Click Energy 5 dual fuel	£224.91
MOBILE PHONE	£960 a year Both Andrew and Sarah have Virgin £40 subscriptions, giving them 750 minutes and 750 texts each per month	£720 a year. T-Mobile Combi30 gives 700 minutes and unlimited texts (£30 a month)	£240
TOTAL SAVING			£3,018.18

FLOG IT!

One man's rubbish is another man's treasure so before you head down your local household waste recycling centre with your clutter, think again. Selling your unwanted items could earn you some serious money.

Auction site eBay (eBay.co.uk) is a popular way to buy and sell items, covering just about anything from vintage comics and fertile hens' eggs to contemporary art and electrical goods. Neil McCain, a 43-year-old stained glass artist from Dorset, started using eBay in 2005. "I started out selling items such as gramophones that I'd been collecting but I have also sold sports goods, furniture and electrical items as well as picking up some bargains myself," he says. "It's incredibly easy to use and the site is very informative, notifying you when someone bids on your items and allowing you to see details of their past eBay history."

Although selling through eBay doesn't guarantee your goods will meet the price you're after, Neil is often surprised by how much people are prepared to pay, especially when a bidding war breaks out. "I sold a washing machine earlier this year. It was four-and-a-half years old and it went for £220 – that's only a little less than the brand new one I replaced it with."

He's also turned a profit from items he's bought on the site. "I bought a rowing machine a year ago for £25, used it a couple of times and put it in the garage before selling it this spring for £45," he explains.

If the prospect of arranging listings, answering buyers' questions and sorting out postage doesn't appeal, a car-boot sale may be more suitable. Simply load up your car, turn up, pay your pitch fee (usually between £5 and £12) and start selling. Details of car-boot sales can be found in local newspapers or on internet sites such as carbootjunction.com.

There's even an online car boot sale at ibootsale.co.uk, where you set the price but can still allow buyers to haggle for the full car-boot experience.



HOW MUCH COULD YOU SAVE BY REVIEWING YOUR EXPENSES, PART TWO:

THE RETIRED COUPLE

David and Jane Wilson are retired and live in a two-bedroom house in Leeds

	OLD COST	NEW COST	ANNUAL SAVING
GAS AND ELECTRICITY	£1,115.27 a year Gas – £655.83 from British Gas Electricity – £459.44 from nPower	£854.91 a year British Gas Energy 5 Dual Fuel	£260.36
HOME INSURANCE £150,000 buildings and £30,000 contents	£369.48 a year Saga	£123.69 a year Sheila's Wheels	£245.79
CAR INSURANCE Ford Focus 1.4, 2002 registration, fully comprehensive	£380.37 a year Marks & Spencer	£121.80 a year Swiftcover	£258.57
SAVINGS ACCOUNT £25,000	3.93% Barclays Nest-egg Savings	7.15% Principality Building Society three-year fixed-rate bond (over-50s)	£1,127.50 in additional interest
WORK	None	Jane takes 5 hours a week at her local supermarket, earning £35 a week	£1,680 (based on 48 week year)
HOLIDAY	£1600 for two weeks in Malaga in July	£234 for flights to Malaga + £115 registration fee on Home Link for a home exchange	£1,251
TOTAL SAVING			£4,823.22

Source: Moneysupermarket.com for gas and electricity, home insurance, car insurance and savings account. Holiday price sourced from Expedia.com.