

SHOULD I BORROW OR SHOULD I SAVE?

You see it, you like it, you want it, but it's expensive. We've all been there. Shopping isn't fun when you haven't got the money. So, when you see something you can't afford, you have two options: **borrowing** or **saving**.

Borrowing money can be a big commitment. You need to make sure you can pay the money back, otherwise you may end up in legal trouble.

It takes longer to buy what you want when you are **saving** for it, but it means you buy it outright and there are no repayments.

So, which is it to be? If you're thinking of making a big purchase, use the flowchart below to help you decide if it's better to borrow or save.

Q1. DO I NEED THIS?

YES

If it's something you really need and you don't have enough money, then consider going into your arranged overdraft, or a personal loan if you need more time to pay the money off.

NO

If you don't really need this and it's more of an impulse buy, then it would be best to save up for it. Once you've got the money in your account, then you can go back and buy it. **W**

Q2: DO I NEED TO BUY THIS RIGHT NOW?

YES

If this is something that you need immediately, then you could look at borrowing, and then paying back over time. Make sure you check the small print and that you can afford the payments.

NO

If you're able to wait a bit longer, then it's best to save.

Q3. CAN I AFFORD TO MAKE THE REQUIRED REPAYMENTS?

YES

Borrowing can help get you out of a tight spot, but remember, it's not free money and you have to pay it back. If you are able to do that each month without putting your finances at risk, then you could borrow.

NO

If you can't afford to repay the money you borrowed, then you shouldn't borrow. There can be serious consequences if you can't pay it back. Play it safe and save up instead.

Q4. CAN I PAY THE DEBT OFF QUICKLY?

YES

If you can pay off the debt quickly, it might make sense for you to use your arranged overdraft. If you need more time, then a personal loan might be a better option.

NO

If you're going to have to pay off your debt over a long period, it might be better to save. It might even be quicker to save up and buy what you need in one payment.

Q5. CAN I PAY THE MONEY BACK AT ALL?

YES

If you were to lose your main income, do you have a back-up plan to continue the monthly repayments, such as Income Protection, or dipping into your emergency savings? If so, and you're willing to take that risk, then you could borrow money.

NO

If you lose your main income, you'll need to work out a way of keeping up the repayments, and if you can't, then you shouldn't borrow. Save up for what you want instead.

BORROW

Borrowing could be an option for you to look into. There are many different ways to borrow, so make sure that you find out which one is best for you. Once you've decided on the type of borrowing you want to use, be sure to check the small print to make sure you can afford all of the repayments.

SAVE

If borrowing isn't the right option for you and, you're looking for a great way to start saving instead, you could try using the **50/30/20** budgeting method.

Once you receive your salary, you divide it up so that

- 50% goes towards your **needs** (rent, bills, food, etc.)
- 30% goes to your **wants** (shopping, eating out and hobbies), and
- 20% goes into your **savings**.

Using this could help you stay on track to reach your financial goals and save up for some of the things you have been saving up for.

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