



LOSE YOUR HANG-UPS
HOW YOU COULD SAVE BY
DITCHING YOUR LANDLINE P5

APPOINTMENTS P7-10
EDUCATION P6



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Section 4

MONEY

GOING FOR A SONG
I'LL PERFORM UNTIL I'M IN MY 80s, SAYS BRIAN KENNEDY P4

Last-minute rescue

Get the most out of your pension fund before the super-squeeze

REPORT PAGE 3



Crunch creates no-frills shoppers

Gambling, eating out and hairdos are being ditched, writes Niall Brady

THE recession has produced a generation of virtuous shoppers who have cut their spending on alcohol, gambling and smoking, according to a new survey.

Indulging in vices and luxuries has plummeted, the survey of 1,005 consumers found. Respondents claim they have cut down on playing Lotto and on other betting and gambling, and make fewer visits to restaurants, fashion outlets, hairdressers and coffee bars.

Niall McHenry, founder of SaveAFewBob.ie, the consumer website that commissioned the research, said: "Consumers are cutting back considerably on discretionary spending. They're motivated by value for money."

The findings are supported by data released on Friday by the Central Statistics Office, showing a 15% slump in retail sales in the year to July, with cars, furniture, household equipment, bar sales and clothing among the items hardest hit.

The economic crash has also forced people into making sacrifices that have little to do with saving money. Darach Turley, a professor of marketing at Dublin City University, said: "In uncertain times, people come to the belief that one of the few things they can rely on is themselves."

"The desire for self-reliance is underscored by an increase in people doing their own home repairs, growing their own vegetables, and eating at home rather than

going out. It's cultivated frugality, cutting back not because they have to, but because they believe it's the right thing to do."

People risk making their lives more miserable than necessary, McHenry said, by making drastic cutbacks while overlooking simple, money-saving moves. "There's no pain involved in switching to cheaper insurance, electricity or phone and broadband providers, yet it can save a lot of money," he said.

Debt management should take priority for those in financial difficulties, said John Lowe, a financial adviser and author of The Money Doctor Finance Annual. "If you lose your job, or your working hours are

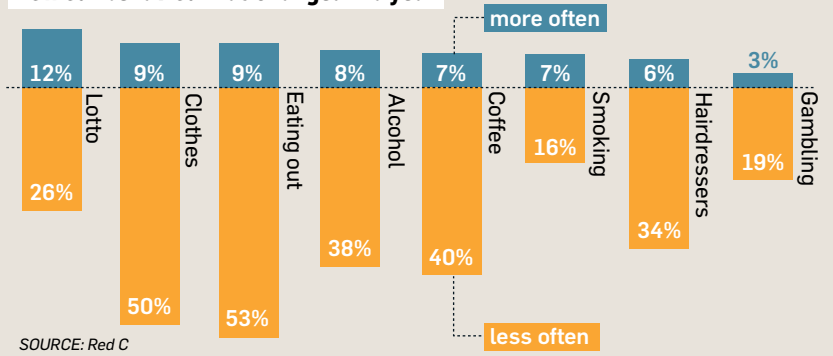
reduced, the first thing to do is renegotiate your mortgage, asking to pay only the interest for six months, for example," he said.

Families should also try to save for future expenses. "Budgeting isn't only about cutting back on current expenditure, it's about building a rainy day fund for future expenses, such as Christmas or a few days' holiday next year," said Lowe.

He urged households to keep a money diary, itemising every item of expenditure for one month. "It's the only way of learning where your money goes. Frivolous spending, such as the chocolate bar you pick up without thinking at the petrol station, will quickly be identified. I'm not a kil-joy, but certain expenses must be curbed if you are going to make ends meet."

The survey found that some people are engaging in "comfort spending" during the recession. While 26% of people play the Lotto less often, 12% are indulging more frequently in the hope of winning a million.

How our behaviour has changed in a year



EBS cuts cost of mortgage fixes

EBS reduced the cost of fixed mortgages last week, throwing a lifeline to customers facing increases in the building society's standard variable rates.

EBS's new deals include a two-year fix at 2.99%, a three-year fix at 3.5%, and 4.2% fixed for five years.

Allied Irish Banks and Bank of Ireland have better offers available, but they accept only new borrowers with secure jobs

and substantial equity in their properties.

EBS's rate reductions mean a saving of €5,830 in interest over three years for customers fixing a €300,000 mortgage at the new rate of 3.5%, compared with its previous three-year fix of 3.69%.

The building society's standard variable rate is lower, at 2.63%. But Fergus Murphy, chief executive of EBS, has

warned that it could rise to between 3.13% and 3.63% within 12-18 months, even if the European Central Bank leaves interest rates on hold.

Murphy said that mortgage rates were under pressure because of higher returns paid to savers and the cost of the government's guarantee of Irish financial institutions.

Permanent TSB raised its standard variable mortgage

rate by half a percentage point in July.

Karl Deeter of Irish Mortgage Brokers, a financial services company, said: "Lenders have to recover their losses from somewhere, and variable rate mortgages are a soft target because they have no price promise, unlike fixed rates."

"People on variable rates should consider fixing immediately."

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