Young professional, living at home

Like many twentysomethings, John Doe is living at home dreaming that one day he will able to afford his first home. He has set a time period of two years to buy his first flat.

The trainee IT programmer has no debts, but is fairly reckless with his monthly pay of £1,344 (after tax) leaving him with little or no money at the end of the month.

The good news is that John is guaranteed a pay rise of £10,000 (gross) when he completes his training programme in twelve months' time (assuming he gets the right grades) and he has recently inherited £10,000.

He also wants to save for retirement. His employer will pay 5% a year into a pension when he qualifies.

The problem

One word: deposit. He wants to buy a good size two bedroom flat so he can rent out one room to help pay the bills. He knows he can find a flat for around £110,000. With earnings of £30,000 he has been told he can secure a mortgage of £90,000 leaving him with £30,000 to find including the costs of moving and any work that needs doing.

John's finances

Income:	£20,000
Assets:	£10,000 inheritance
Goals:	Save £20,000 to secure sufficient deposit to purchase house, start saving for pension and build emergency funds

The advice

Save more

Currently John is not saving anything, to secure a deposit of £30,000 he needs to be saving £800 per month for the next two years.

This would still leave him with over £500 per month as free spending money. When his salary increases to £30,000 his disposal income will increase by around £600 month.

The recommendation is that for the next twelve months he puts as much away as he can towards the deposit.

In twelve months he will have additional income and the company will set up a pension for him. It is recommended he starts paying 5% into the scheme which will cost him £100 net per month. It total he will have 10% saving towards his retirement.

This would decrease the £600 to around £500. He should also consider having emergency savings to cover unemployment. It is recommended he should have a minimum of three months' salary. He will therefore need to have around £6,000 in emergency savings. It would therefore be recommended the additional £500 is set aside to provide this emergency fund.

Once he has saved sufficient money for the deposit and purchased a property a further review should be made of his goals taking into account the emergency savings, short term savings and retirement savings. This will need to reflect the expenditure on his new home and any rental income he will be receiving.

Note: this is purely an example and should not be relied upon as advice. It does not reflect any protection that he may need.