

Help me to get finances on track

Olympic hopeful: Marilyn Okoro, 26, has little left after paying living expenses
Matt Lloyd for The Times

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Leah Milner

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Athlete Marilyn Okoro tells Leah Milner how earnings in dollars or euros leave her at the mercy of exchange rates

Marilyn Okoro, 26, is a British 800m runner gearing up for the London 2012 Olympics. Marilyn says that she is careful with money, but with all her energies focused on next year's big event, she has not spent any time searching for the best savings accounts and is not earning any interest on her cash.

Marilyn trains six days a week, twice a day, so she does not have time for any other work. Her income is a mixture of sponsorship, grants and competition winnings — it is irregular and comes in different currencies, making it difficult to plan ahead. She tries to race as much as possible to maximise her earnings.

Marilyn earns about £13,000 a year through the National Lottery-funded World Class Performance Programme, which supports athletes who have a realistic prospect of winning a medal at the next Olympics. Marilyn also receives sponsorship from Adidas, along with bonuses, free kit and payment for appearances. Her other main source of income is prize money from competing in races around the world. Her total annual income from all these sources “in a good year”, is between £30,000 and £35,000 after tax, currency conversion and paying 20 per cent commission to her agent. “It’s nothing like footballers,” she jokes. She says that she usually earns winnings in US dollars or euros if not in sterling. “You do lose quite a lot of money as an athlete, simply through tax and currency conversions,” she adds.

Marilyn has a multi-currency Barclays account, which she says she uses “like a piggy bank”, but she wonders whether there are better accounts on offer or a better way of managing her foreign income. She says that her agent has someone who monitors exchange rates and decides when it is a good time to convert her winnings.

“My income comes in lump sums and I am the kind of person who likes to know what I have coming in and what I have to pay out. I kind of know what time of year I’m likely to have money coming in, but it is quite hard to keep tabs on things. If the exchange rate has been bad and I haven’t changed any money over in a while, then sometimes I wonder what I am going to do.”

Marilyn wants to buy her first home, but with the Olympics now so close she has decided to put this off until after 2012. She has managed to save £25,000 towards a deposit, but says that she is earning practically nothing in interest and has not taken out an Isa. She says that she did receive a mortgage offer from a bank, but she changed her mind because she thought that the property she was considering buying was not worth the price. At the moment she is renting in Chingford, Essex, and says: “It is a waiting game, as I have to be in the area for training, but I am not really prepared to pay three times the amount that I would pay somewhere else just because of the postcode. It’s a bit frustrating. I will just wait until after the Olympics.

“At the moment everything is about the Olympics. Everything I do, that is at the forefront of my mind. With sport and athletics, a massive part is about sacrifice because it doesn’t last very long. You have to do it while you are in your prime and in the moment.”

Marilyn says that 800m runners tend to peak at about 27, but she hopes to be able to continue racing until she is in her mid-thirties, after which she will have to plan for a new career. She has a degree, speaks four languages and used to sing in a jazz band, so she is not short of skills.

She says that she barely has any cash left after paying all her living expenses, but she is not motivated by money. “I grew up with quite little,” she explains. “My aim is to one day be comfortable and for it not to be a stress, but my family are quite dependent on me. I don’t have to have nice things, just the basics.”

Marilyn would like to know what to do with the money that she has saved for a deposit until she has time to start looking for a house again — she does not trust the banks to give her investment advice.

She says: “When I go into a bank, I feel like the financial advisers are too busy trying to sell products and sometimes it is a bit overwhelming.”

She would also like to find out about setting up a pension. Marilyn also has a £22,000 student loan. She has a credit card but pays off the balance every month. She would also like some advice on managing her irregular earnings and on planning her finances for the future when her athletics career comes to an end. Marilyn also wants to know whether her fluctuating income will be a problem when it comes to getting another mortgage offer.

Finance CV

Income Up to £35,000 after tax, but earnings fluctuate because they depend on competition success.

Debt £22,000 student loan.

Savings £25,000 in low-interest bank accounts.

Pension None.

Objectives Find ways of managing an irregular income, find a better way to deal with foreign currency earnings, set up a pension and get a mortgage after the Olympics.

Marilyn Okoro: What the experts say

Savings and investments Nick McBreen, Worldwide Financial Planning “Marilyn is clearly focused on her Olympic prospects, but thinking about her investments now will pay dividends in the medium to long term.

“She should make sure that she has three different types of account. The first one, for immediate access money, should be online for ease of use and cost and hold three months’ expenditure in total. This is likely to be available from her existing bank or building society, but it needs to be flexible enough to cope with foreign currency earnings.

“The second account should be a higher-interest notice account, again online, with perhaps a 30-day notice period. This cash should be for short-term contingency spending and small unexpected capital needs. Rates are relatively low, but it will pay to shop around because the marketplace is fiercely competitive. Marilyn would also do well to use her cash Isa allowance of £5,100 for the current tax year to avoid paying tax on her savings in this account.

“The third account should be Marilyn’s investment account – investing into collectives, also known as mutual funds – with a minimum timescale of five years to leave the capital to grow.

“With the uncertainty over when she will enter the property market now settled, Marilyn should consider setting up an online wrap account – a flexible and cost-effective platform account that can hold cash and equity Isas, investment portfolios and a self-invested personal pension (Sipp). Marilyn can save a further £5,100 per year tax-free through a stocks-and-shares Isa. Wrap providers she could look at include Standard Life and Raymond James.

is that Marilyn has an eye on her financial future and gets her financial planning under way – it’s the first pound that ultimately makes the most money thanks to the value of compound interest.”

- Action plan Set up a current account, a cash Isa with a competitive rate and an investment account.
 - Consider using a wrap account to view cash, investments and pension in one place.
- Pension planning Susan Hill, Syndaxi Chartered Financial Planners “Marilyn is right to be interested in making pension provision to fund her future income in a tax-efficient plan. Before April 6, 2006, sportswomen who had taken out personal pensions could have a retirement age under 50. For sportswomen such as Marylyn, the earliest pension age will be 55.

“Marilyn should consider pension planning in two stages. The next five years, during which she will know whether she’ll compete in another Olympics or whether her athletics career is coming to an end; and five or ten years from now, when she enters a second career. Marilyn has a degree in politics and is a multi-linguist, so she could expect significant earnings.

“From December 2018 the state pension age for both men and women will start to increase to 66 by April 2020, and possibly 68 by 2046. So Marilyn should be aware that her state pension age is likely to be 68, in 2052.

“Planning for an independent income prior to entitlement to state benefits should be a priority and taking action sooner rather than later is important. Making a contribution now at age 26 would save her as much as 45 per cent of the total contributions that she would need to make were she to wait until age 31 before she started saving. She should try to save about 10 per cent of her gross salary per year.

“Modern pension contracts are highly flexible. Marilyn should set up a pension that allows her to reflect her irregular income stream by making annual contributions. For example, if she needs to suspend contributions in the early days of house purchase and before her second career is established, she would have the flexibility to do so.

“Currently, a stakeholder pension addresses the issue of costs, charges and flexibility. As Marilyn’s income increases, she should be able to afford larger contributions and might consider transferring the stakeholder fund into a Sipp, as this can offer her a greater range of investment opportunities.

“In terms of a multi-currency bank account, we have looked at Citibank and Barclays. It’s not obvious to the casual inquirer what charges Barclays will apply to her account, but on a basic i-Bank account that holds foreign currency there is a £5 monthly charge with ATM charges on top. We prefer Citibank, which is much more open and would provide an account in each currency with a credit and debit card in each currency, so she could operate like a resident, which could provide considerable savings.

“The remaining issue could be said to be when she should convert either currency to sterling. That’s similar to investment timing — a great idea but nigh on possible to execute to your benefit.”

- Action plan Set up a low-cost stakeholder pension as soon as possible.
- Aim to save about 10 per cent of gross income per year.

Property purchase, Aaron Strutt, Trinity Financial “Because Marilyn is self-employed, it might be more difficult to get a mortgage — and her fluctuating income could make an application even trickier. Marilyn will need to provide a lender with either two or three years of accounts. I would expect her to be able to borrow up to four times her salary, but as she has a £22,000 student loan the mortgage will be reduced to approximately £120,000. The fact that she gets paid in dollars or sterling won’t make a difference because the money is converted into pounds.

“There are a fair amount of mortgages available if you have a 10 per cent deposit and, hopefully, we should start to see the banks’ criteria loosen after the Olympics, with more mortgages made available for first-time buyers. She may want to consider a shared-ownership mortgage, where you own a certain percentage of the property and then pay rent on the remainder. In my opinion this would be a good option and hopefully Marilyn could get a property more suited to her and in a better location.

“A clean credit history is vital if you want a mortgage, and paying your credit card balance off each month will boost your credit score.”

- Action plan Ensure that accounts are up to date.
- Save as much of a deposit as possible.
- Try not miss any payments and to make sure that credit history is clear.