

'I thought my family would bail me out'

MoT Willard Foxton's wealthy father lost his fortune in Bernard Madoff's Ponzi fraud, he tells **Leah Milner**. Now he wants to get his finances in order

Willard Foxton certainly lives up to the maxim "Do as I say, not as I do". The 31-year-old, from London, confesses to being "terrible with money" despite the fact that he freelances as a financial journalist alongside the job he has just started as a television producer for a company called Prospect Pictures. And he admits that he has previous form in

failing to practise what he preaches; he began his media career as a fashion writer with no dress sense, he says.

Mr Foxton's father was very wealthy and he admits that this resulted in him developing a careless attitude towards money. He does not have any savings and there is nothing left at the end of the month. He says: "I was very

irresponsible with money at university and I have lived the lifestyle that I have lived because I have always had the assumption that I would have a deposit for a house from my family and that one of them would always bail me out."

However, Mr Foxton's father, William, a retired army officer who was appointed OBE for service in Kosovo,

invested his entire £1.8 million fortune in one of Bernard Madoff's feeder funds. In 2009, after discovering that he had lost everything, William shot himself.

That year Willard travelled to the United States to meet other Madoff victims to try to uncover how his Ponzi scheme had managed to ensnare so many people for a BBC Two *This World* documentary, *The Madoff Hustle*.

"It was hugely cathartic to be able to make the programme about Madoff. At the time the scandal broke, most of the newspaper reports branded investors as either greedy or stupid," he says, but the returns Madoff delivered looked steady rather than impossibly high.

"Actually, the typical Madoff investor was someone like my father who wanted safety and security but didn't care about a high rate of return.

"I met a lot of people whose lives had been wrecked — not just as investors, but staff at Madoff's firm whose lives had been blighted and who now found it impossible to get work. I think he managed to con people because they wanted to trust him; it was an affinity crime.

"His first victims were members of his own family and close friends. Once he had their money he spread out into the wider Jewish community, and from there into the financial community and then all around the world. At every stage he was an insider, someone beyond suspicion — he was our cousin Bernie, then he was that nice old man who went to the 5th Avenue synagogue, then he was chairman of Nasdaq."

These days Mr Foxton fits his investigative projects around his full-time TV job, by writing in the mornings before he gets to work and, if necessary, the evenings too, meaning that he is often up until 1 or 2am researching stories.

He stands to earn about £55,000 this year before tax — £35,000 from his full-

time job and the rest from his freelance work — but his expenses bill is about £900 a month as he has to take contacts out for lunches and breakfasts to get ideas that he can use to pitch freelance articles.

He says: "I'm terrible about claiming expenses. I am actually criticised by our accountant at work for this."

For this reason he often falls back on payday loans. "I might have a cheque waiting to clear in the bank, but no cash. If someone calls me up to meet for lunch, often I will use Wonga or a company like that and end up paying a £30 fee," he says.

Mr Foxton pays £650 a month in rent on his shared flat near Sloane Square, London, and is keen to get on the property ladder. He has about £2,650 in credit card debts and says that his credit score is probably "abominable", although he has not checked it before.

His priorities are saving a deposit for a house and managing his irregular income. "Can you find some kind of magic wizard with a get-rich-quick scheme that can sort me out?" he says.

Financial CV

Income £55,000 before tax.

Debt £2,650 on credit cards and overdrafts. As well as a £15,000 student loan.

Savings None

Pension None

Objectives To manage irregular earnings without falling back on expensive payday loans, improve credit score and save a deposit for a house.

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Willard Foxton What the experts say

General financial planning

Martin Bamford Informed Choice

"There are no get-rich-quick schemes or wizards to sort out Willard's finances. He needs to start budgeting quickly and put in place a written financial plan before a mistake lands him in real difficulties.

"Willard should put aside money for his future tax liabilities in a high-interest regular savings account. Failing to do so will result in a big tax bill, which is a trap that many freelancers fall into. Because there is a long time lag between earning the money and paying tax on it under the self-assessment system, Willard could earn up to 18 months' interest on this cash before having to pay Revenue & Customs. But he must make sure that he moves the money into his current account in plenty of time before the tax deadline or he could end up losing any interest earned through a withdrawal penalty.

"Willard must get out of the habit of using payday loans — if he does not pay them off quickly enough, he will be hit with eye-watering charges. To break this cycle, he needs to build up an emergency fund to cover between three and six months' outgoings.

"It is difficult to budget when earnings are irregular, so Willard should make sure

that the expenses he is committed to each month do not exceed his regular income from his TV job.

"Any additional earnings from his freelance work can go towards paying off his credit card debt and saving for a house deposit. Until these basics are covered, Willard will not be in a strong enough financial position to consider making pension contributions.

"It may take two or three years to get to this stage so Willard needs to commit to a financial plan for this length of time. He should not feel guilty about submitting reasonable expense claims. He could use a smartphone application to keep on top of expenses claims, which would allow him to scan in receipts and file them in a folder ready to submit."

Action plan

- Learn to budget and set aside an emergency fund.
- Set aside money for his future tax bill in a high-interest savings account.
- Keep on top of expenses claims.

Tax planning

Carl Lamb Almary Green

"There is no easy solution, but there are a few things that Willard can do to reduce his tax bill and interest payments.

"First, let's look at his credit card problems. He would save money on the interest if he consolidated all his credit card debts on to a card offering a 0 per cent deal for six or, ideally, 12 months. He may pay a 3 per cent transfer fee, but he will pay less interest in the longer term.

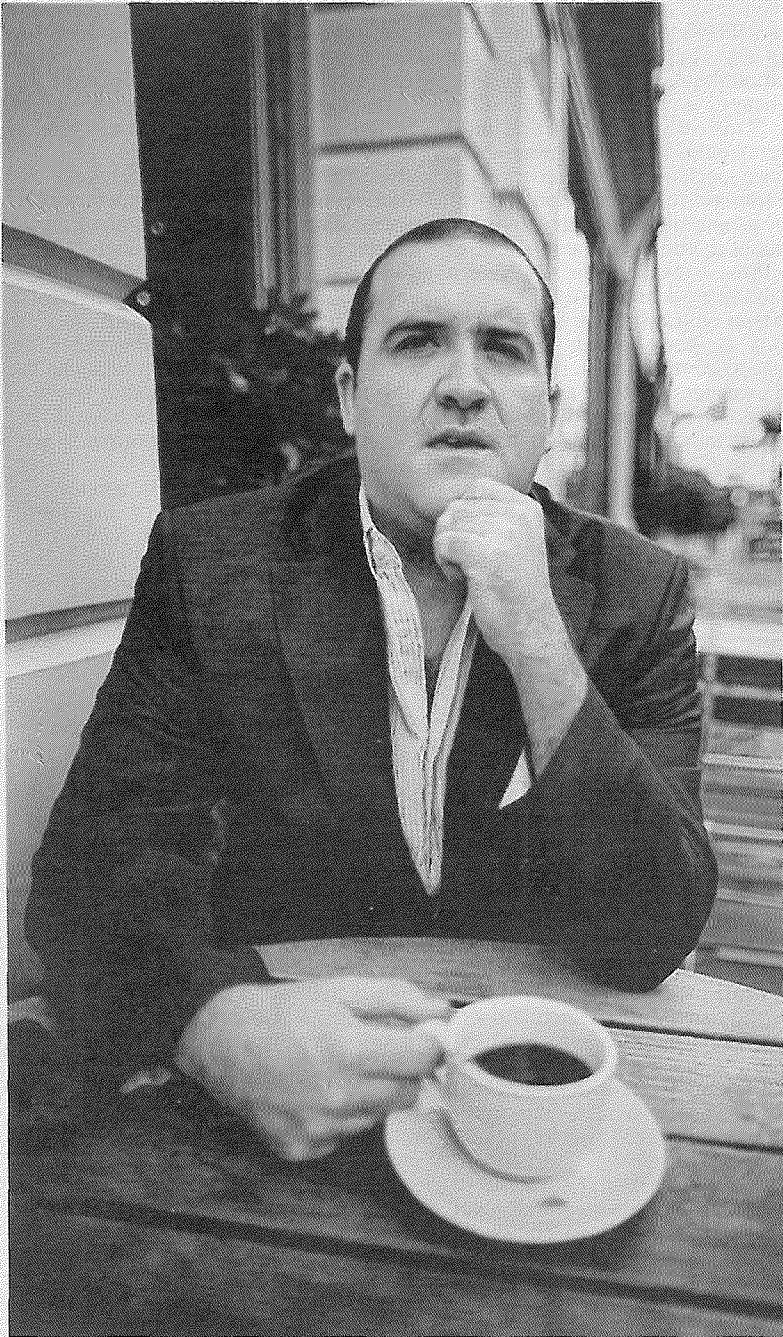
"Moving on to his tax liabilities, he

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MATT LLOYD FOR THE TIMES



Willard wants to get on a firm financial footing to save and buy a house

could make savings if he established a limited company for his freelance work. He could take very little salary from his limited company and instead take his earnings in the form of dividends. We would suggest that he took the minimum level of salary to qualify for state benefits and the state second pension, which would be just over £5,000 a year. Dividends are taxed at a lower level than salary payments (10 per cent for any that fall in the basic-rate band and 32.5 per cent for any in the higher-rate bracket), so he would see a considerable saving.

"His drawings from the company can be used to cover his expenses in the short term – so he won't have to rely on expensive payday loans. He can claim back his expenses through the limited company structure too, which will save corporation tax on his profits. In due course, he can use the company structure to pay into a pension scheme, which will also save on corporation tax."

Action plan

- Consolidate credit card debts on to a card with 0 per cent interest on balance transfers.
- Set up a limited company to minimise tax liabilities.

Mortgage advice Andrew Montlake Coreco Group

"The first thing to do before even thinking about purchasing a property is to get organised. Willard should obtain a credit report from either Equifax or Experian and see if there is anything that is affecting his credit score. Simple things

such as being on the electoral roll at his main address and paying credit cards and loans on time make a world of difference. To purchase a property, he would realistically need a 10 per cent deposit, but to access these products lenders want to see a spotless track record. As long as he can prove a consistent track record of freelance income for at least a year, he could expect to borrow about £200,000 with a 10 per cent deposit. There are some lenders offering 95 per cent mortgages but most require a family member to place money into a linked savings account or act as a guarantor.

"Willard should focus on becoming better organised, claiming the full amount of his expenses and paying off debts. Then, in a year's time, together with hopefully an improved lending environment, he will find himself in a much better position to demonstrate to a mortgage lender that he is able to afford monthly payments."

Action plan

- Get a credit report and take steps to improve his credit rating, such as registering on the electoral roll.
- Keep up to date with his accounts to make sure that he can demonstrate a consistent level of earnings.

Contacts

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'I'll look into using smartphone apps to budget'

Willard's response

Martin's is the kind of really solid common-sense advice that I knew was right, but that I haven't been following, living chaotically month to month. I'm quite the technophile, so I'll definitely look into his ideas about using smartphone apps to budget and manage expenses.

I don't think I can or will follow any of Carl's advice. I am pretty sure I will not qualify for a 0 per cent balance transfer credit card with a low credit score. Neither am I a fan of tax

dodges such as the one that he suggests. I am actually very proud of paying my full whack of income tax.

I am quite glad to hear via Andrew that my hopes of getting on to the property ladder are not totally unrealistic. I am going to start looking into the types of mortgage products that are available and start structuring my finances in such a way that I can start thinking about buying in 18 months or so. So I think I will take Martin's advice in the short term and learn to budget better, be more sensible and rely on

technological crutches to make life easier. But I'll leave the tax advice to the types of wizards I interview.

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