



How to prepare a budget?

It sounds so easy! Just make a list of what you spend your money on each week (or month)...add it up...compare the total with your income... What could be simpler?

But if you've tried it, you'll know that there's more to preparing a budget than meets the eye.

And, how is it that—despite your best efforts—there always seems to be less in your pocket/purse/bank account than you thought there was?

Follow the **FOUR STEP FORMULA** and, over a period of five or six weeks, you will establish a budget that reflects your true spending pattern. Decide whether you budget **weekly** or **monthly**. Most people find it easier to use a weekly budget if they are paid weekly and a monthly budget if they receive their salary monthly.

STEP 1

- For at least one month keep a record of what you are spending. Write down everything you spend and include **everything**—whether you use cash, debit card, credit card or cheque.
- If you are preparing a family budget, **everyone** must record his or her spending. If you have children, make it easier by giving them a fixed amount and simply recording that sum.
- Complete Income section on personal budget sheet. Your income should be net, i.e. after tax and NI deducted.

STEP 2

- Review all your bills—electricity, gas, water, phone, Council Tax, mortgage, rent etc. Include anything you pay directly from your bank account by Direct Debit or Standing Order.
- For annual bills divide by 52 to get weekly figure or 12 to get monthly figure.
- Sometimes water rates and / or Council tax are paid by 8 or 10 monthly instalments. Use this figure which means that for some months you will have some money left over.
- Go through your **bank statements** and identify any other regular expenditure that hasn't already been included, such as subscriptions, health costs, etc.
- Study your **calendar and diary** and note all birthdays for which you buy gifts. Work out how much you need to put aside each week/month to pay for these. (It's probably more than you think!)
- Look back at your **credit card statements and bank statements** around last Christmas and add up all the costs associated with the festive season. Don't forget to include food and drink...and works celebrations. Divide this sum by 52 or 12 to decide how much you need to set aside. You could always try our "Christmas Challenge" which can be downloaded free from our web site.
- Go through **all your statements** - credit card, bank and catalogue, etc—to see how much you spend on clothes and shoes. Again, work out how much you will need to allow in your budget.

STEP 3

- Review all the items in the Outgoings columns on the **Budget Sheet**. Is there anything that you sometimes spend money on but that hasn't yet been included? How about things like holidays, the car, or emergency household repairs?
- Has your car expenditure included petrol, road tax, MOT, insurance, breakdown cover, new tyres and repair costs?
- You might want to allow a fixed amount in your budget to meet unexpected expenditure. Washing machines, cookers, fridges, etc (as well as the car) might need repair from

STEP 4

- Complete the last section on the budget sheet to see what money is left over each week / month. If you spend more than you earn then look to see if there are any ways to reduce your spending.
- Download a free copy of our "Money Tips" challenge which has a whole range of ideas on how you to make our money go further? You can also download a free copy of our money saving ideas booklet from the web site

If you find you are in debt then don't panic. Take the first step towards sorting out your finances. Telephone our free, independent, confidential helpline (run by the Consumer Credit Counselling Service) on Freephone **0800 138 11 11**. You can also download a self help guide from our web site.

STEP 1

Income

* weekly / monthly

Wages or salary (net after deductions) _____
 Partner's wages or salary (net) _____
 Tips or commission _____
 Other earnings (net) _____
 Maintenance/Child support _____
 Own and/or partner's pension _____
 Income Support _____
 Jobseeker's Allowance _____
 Incapacity benefit / Statutory Sick Pack _____
 Working Tax Credit _____
 Children's Tax Credit _____
 Child Benefit _____
 Other Benefit Income _____
 Interest _____
 Boarders / lodgers _____
 Other income 2 _____
 Other income 3 _____

Total Income BOX 1 £

STEP 2

Outgoings

* weekly / monthly

Housing costs / Utilities _____
 Mortgage payment _____
 Rent _____
 Mortgage endowment payments _____
 Second mortgage / other secured loans _____
 Council Tax _____
 Service charge or ground rent _____
 Buildings / contents house insurance _____
 Life insurance _____
 Water rates _____
 Gas _____
 Electricity _____
 Other fuel costs _____

Total housing costs BOX 2 £

STEP 3

Other Important Items

Outgoings

* weekly / monthly

Telephone (including mobiles) _____
 Maintenance payments _____
 Magistrates' Court fines _____
 Pension / AVC payments _____
 HP payments / Conditional sale _____
 TV rental / licence _____
 County Court Judgements (CCJ) _____
 Tax / National Insurance (non PAYE) _____

Total other items BOX 3 £

STEP 4

Everyday expenditure

Outgoings

* weekly / monthly

Food & drink / Housekeeping _____
 Newspapers & magazines _____
 Travel & fares _____
 Car tax _____
 Petrol _____
 Car insurance _____
 Car service & repairs, MOT _____
 Childcare (include pocket money, school) _____
 School meals _____
 Pets (food & vet's bills, insurance) _____
 Cigarettes _____
 Clothes & shoes _____
 Household items (repairs etc) _____
 Health costs (e.g. dentist, eye tests) _____
 Other 1 _____
 Other 2 _____

Total everyday expenditure BOX 4 £

STEP 5

Other expenditure

Outgoings

* weekly / monthly

Religious and Charitable giving _____
 Entertainment (include hobbies) _____
 Holidays _____
 Savings _____
 Gardening _____
 Hobbies _____
 Gifts, e.g. birthdays _____
 Christmas presents etc. _____
 Courses and professional fees _____
 Credit Card payments _____
 Loan repayments _____
 Catalogue payments _____
 Eating out _____
 other 2 _____
 other 3 _____

Total other expenditure BOX 5 £

STEP 6

Total Income BOX 1 £

Housing costs / Utilities BOX 2 _____

Other Important Items BOX 3 _____

Everyday Expenditure BOX 4 _____

Other Expenditure BOX 5 _____

Total Outgoings BOX 6 (=box 2,3,4 & 5) £

Money Left Over BOX 1 - BOX 6 £