MONEYGUIDE

Budgeting

A guide to making the most of your money

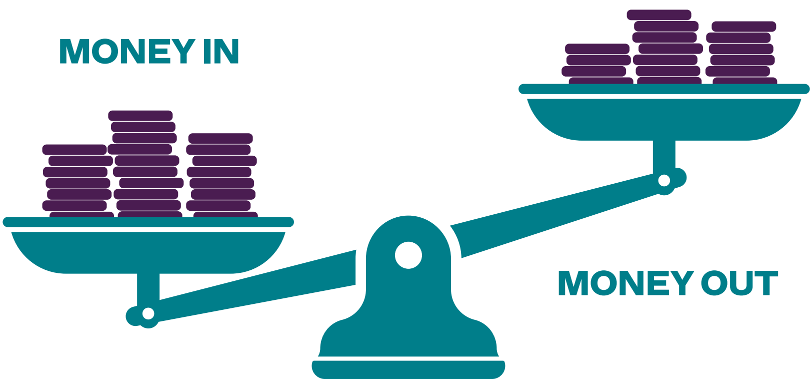
ROYAL LONDON

Budgeting is a great way to stay on top of your finances. By keeping track of how much money you have coming in (your income) and how much money you have going out (your spending) you can get a clear picture of your finances and take control of your money.

Budgeting can help you

- see exactly where your money goes;
- spot overspending or when you're paying for things you no longer need or use;
- live within your means: you can adjust your spending to ensure you don't get into debt;
- work out what you can afford;
- plan for big expenses such as Christmas, holidays and annual bills;
- save for the future.

You can create a budget using pen and paper, a spreadsheet or with the help of an online budget planner. Budgeting can be harder if you have an income that varies – for example, if you're on a zero-hours contract, are self-employed or on certain benefits. For tips on how to budget if your income goes up and down, see **moneyhelper.org.uk/en/everyday-money/budgeting/how-to-budget-for-an-irregular-income**



Ways to increase your income

There are various ways you may be able to boost your income.

- If you're working you may be able to increase your hours or pick up some overtime. If you're not working you may be able to get a part-time job.
- Check you're claiming any benefits or other financial help you're entitled to. If you're on a low income you may be entitled to some form of income support or help with your housing costs. If you care for someone, are in poor health or your household changes (e.g. someone moves out or dies) you may be entitled to other benefits. To find out more about benefits and check your benefit entitlements use one of the benefits calculators at **gov.uk/benefits-calculators**
- If you have a spare room in your home or a garage you may be able to rent this out. You can earn up to £7,500 in rent before you have to pay tax on this money. For details of the government's rent a room scheme visit **gov.uk/rent-room-in-your-home**

Ways to cut your spending

If you can't increase your income you may be able to cut your spending.

- Check your budget for any over or unnecessary spending.
- Divide up your spending into needs and wants. Needs are things you have to pay for such as rent and food, wants are things you could do without at a push. Once you've worked out your essential spending (your needs) you can then see how much cash you have left for other things (your wants).

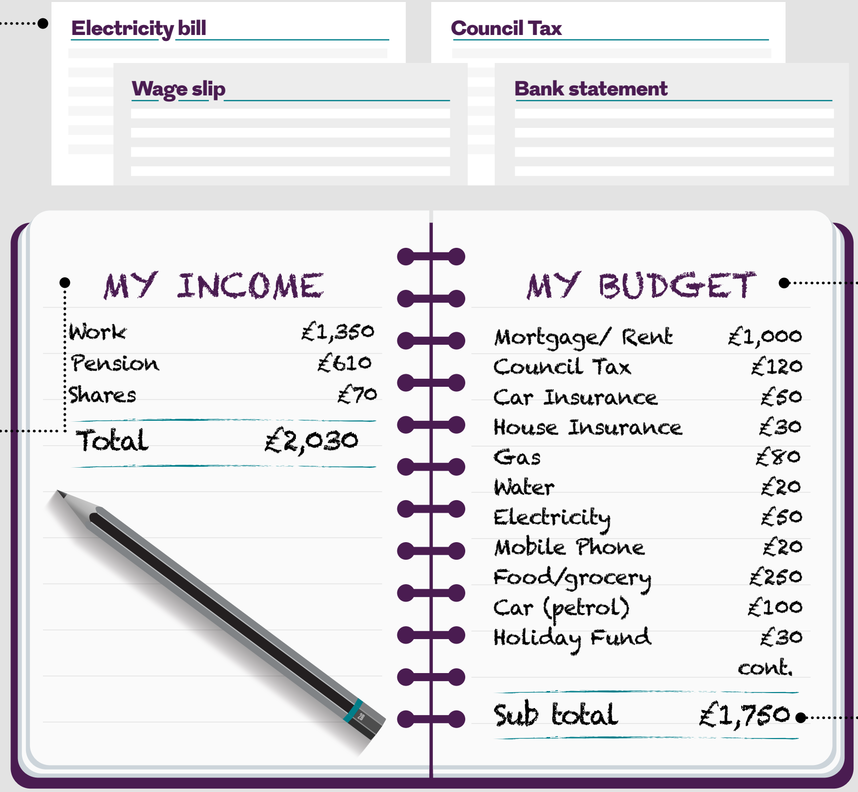
If your circumstances change

It's a good idea to regularly review your budget as your income and spending patterns can change. You may also find that prices go up which affects how much spare cash you have.

Your circumstances might change if someone moves in or out of your household, you cut your working hours or stop work altogether, your health deteriorates, you start to receive extra income such as the State Pension or a private pension.

Drawing up a budget

1 Gather together useful information including details of any income you receive (salary, pension, benefit payments and income from savings and investments), as well as household bills, food bills, credit card statements, insurance costs and so on.



2 Identify all your income. This is money you regularly receive. Work out your total income after tax to see how much you actually have to spend. If you receive any irregular or unpredictable income such as overtime or gifts from family, think carefully before including it in your budget as you cannot rely on it. It may be better to earmark it for other purposes.

3 Work out your spending. Make a list of everything you spend. As well as regular spending, include occasional spending such as for Christmas, holidays and visits to the hairdresser. Work out how much you spend on these each year and then calculate how much you need to set aside for these in your weekly/monthly budget.

4 Take your spending away from your income. If you have a surplus each month, that's good news. But if your spending is higher than your income, you need to take action. If you allow this to continue you'll find yourself eating into any savings you have and even borrowing just to make ends meet.

Money saving tips

Here are some tips for saving money on household bills.

- Take advantage of supermarket offers, money-saving vouchers and retail discounts. Find details on websites such as moneysavingexpert.com/deals/discount-voucher-codes
- If you need help with energy bills visit the energy regulator's website at ofgem.gov.uk. To find ways to save energy in your home visit gov.uk for details.
- Make sure you're not paying over the odds for your insurance by using a price comparison website. For a useful guide on how to buy insurance using price comparison websites see moneyhelper.org.uk/en/everyday-money/insurance/how-to-buy-insurance-using-comparison-sites
- Ensure your savings are earning the best rates of interest available by using a comparison website. For a useful guide on using price comparison websites see moneyhelper.org.uk/en/everyday-money/budgeting/price-comparison-sites-guide

Useful websites

Tips to save energy:

energysavingtrust.org.uk/home-energy-efficiency/energy-saving-quick-wins

Advice on budgeting:

moneyhelper.org.uk/en/everyday-money/budgeting

You can find more on budgeting at:

MoneyHelper:
moneyhelper.org.uk/en/everyday-money/budgeting/beginners-guide-to-managing-your-money

Money Saving Expert:
moneysavingexpert.com/family/stop-spending-budgeting-tool/

Which?:
which.co.uk/money/money-saving-tips/budgeting

You can find budget planners at:

MoneyHelper:
moneyhelper.org.uk/en/everyday-money/budgeting/budget-planner

StepChange:
stepchange.org/debt-info/how-to-make-a-budget.aspx

Money Saving Expert:
moneysavingexpert.com/banking/Budget-planning/#bplanner

Your notes

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