

Money Matters



Budget Challenge

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.
- 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

- The budget sheet is colour coded like traffic lights. Review the priority areas (housing costs / utilities and other important items) to see that no areas have been missed by accident.
- Then 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.

If you find you are in debt then don't panic. Take the first step towards sorting out your finances. Telephone the free, independent, confidential helpline (run by the Consumer Credit Counselling Service) on Freephone **0800 027 4995**



Money Matters is an initiative of **The Rock Community Project** (Scottish Charity Nr. SC 34069) www.rockcommunityproject.org.uk and provides through a team of volunteers **Personal Budget Coaching and Money Education.**

To contact the team call or text **07964 402509** or email moneymatters@rockcommunityproject.org.uk