



Money exercises:

Budget Challenge

Take a look at your personal finances

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 STAGE FORMULA** and, over a short period, 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.

STAGE 1

- For one month keep a record of everything you spend – yes, everything! You will be amazed where some of it goes! That's cash, debit card, credit card or cheque.

For a nifty way of doing this get hold of Credit Action's speedometer for your mobile phone.

- If it's a family budget, everyone must record their spending. Make life easier by giving kids a fixed amount and simply recording that sum.
- Complete the Income section (STEP1) on the budget sheet. It's your income after tax and National Insurance.



STAGE 2

- Review all your regular 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 gym membership, magazine subscriptions, health costs, etc.
- Make a list of 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 food, car, clothes, shoes etc. Again, work out how much you will need to allow in your budget.
- Complete the Outgoings sections (STEP 2 -5) on personal budget sheet.

STAGE 3

- The budget sheet is colour-coded like traffic lights. Review the priority areas (Step 2 - housing costs / utilities and Step 3 - 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, tyres and repair costs?
- You might want to budget for a fixed amount (maybe £500) to meet unexpected expenditure. Washing machines, cookers, fridges, etc (as well as the car) might need emergency repairs or replacing.
- Add any regular savings you make.

STAGE 4

- Complete the last section (Step 6) 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 or increasing your income. (renting a room or persuading your reluctant adult children to make a realistic contribution!)

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 027 4995 or visit their online debt remedy help system at www.cccs.co.uk .

Free resources for you to share and use

STEP 1	Income <small>* weekly / monthly</small>
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 Pay	_____
Working Tax Credit	_____
Children's Tax Credit	_____
Child Benefit	_____
Other Benefit Income	_____
Interest	_____
Boarders / lodgers	_____
Other income	_____
Other income 2	_____
Total Income	BOX 1 £ <input style="width: 100px;" type="text"/>

STEP 2	Outgoings <small>* weekly / monthly</small>
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 £ <input style="width: 100px;" type="text"/>

STEP 3	Outgoings <small>* weekly / monthly</small>
Other Important Items	
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 £ <input style="width: 100px;" type="text"/>

STEP 4	Outgoings <small>* weekly / monthly</small>
Everyday expenditure	
Food & drink / Housekeeping	_____
Newspapers & magazines	_____
Travel & fares	_____
Car tax	_____
Petrol	_____
Car insurance	_____
Car service; MOT;repairs;breakdown cover	_____
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 £ <input style="width: 100px;" type="text"/>

STEP 5	Outgoings <small>* weekly / monthly</small>
Other expenditure	
Religious and Charitable giving	_____
Entertaining, eating out	_____
Holidays	_____
Savings	_____
Gardening	_____
Hobbies	_____
Gifts, e.g. birthdays	_____
Christmas presents etc.	_____
Courses and professional fees	_____
Credit Card payments	_____
Loan repayments	_____
Catalogue payments	_____
other 1	_____
other 2	_____
other 3	_____
Total other expenditure	BOX 5 £ <input style="width: 100px;" type="text"/>

STEP 6	
Total Income	BOX 1 £ <input style="width: 100px;" type="text"/>
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) £ <input style="width: 100px;" type="text"/>
Money Left Over	BOX 1 - BOX 6 £ <input style="width: 100px;" type="text"/>