

Resources



i Creating a budget

A budget is an invaluable tool to help you take control of your household finances, and improve your financial situation going forward.

So what is a budget? It's simply a list of all the money you receive and everything you spend. Usually income is received and bills are paid on a monthly basis, so it's usually best to prepare a monthly budget. A budget allows you to see areas where you may be able to cut back, and ensure you don't overspend in the month.

Step 01

Firstly you need to add up all the income that comes into the household. This includes wages, benefits, pensions – everything. Remember – if any income is paid weekly you need to multiply the amount by 52 and divide the answer by twelve – this gives you the monthly amount.

Step 02

Now you need to make a list of everything you spend in the month. This should include all the bills and direct debits. It's also helpful

to look at recent bank statements to see how much you spend on average on food, clothing etc. Add an average for these items into your budget. It's also important to make an allowance for yearly spending; Christmas, holidays etc. Estimate how much you will spend and divide by 12.

Step 03

Now it's time to see how you perform on a typical month. Deduct your spending from your income. If you're spending more than you receive then it's time to look at ways to cut back and live within your means. If you still have money left over then that's great – but it's still worth using the budget to see where you can still cut back.

i Increase your income

It goes without saying that increasing the amount of money coming into the household makes a massive difference to the ability to make ends meet and pay the bills.

Earnings

Is it possible to do overtime at work?
Or if you work part time could you get another part time job, or look for something full time? This will obviously impact on your free time but it could make a big difference.

Benefits

Are you claiming all the benefits that are due to you? More than £10 billion in benefits and tax credits are not claimed every year in the UK.

Tax

Are you overpaying on tax? Make sure that you have the right tax code and claim any tax credits you're entitled to.

i Managing your money

Every household could benefit from improved money management – whether in debt or not. Here are some suggestions to help you make ends meet.

Check your bank account

How many of us simply let our bank statements pile up and never go through them? It's also now easy to check our accounts online or via smartphone apps.

Regular checking through the month allows you to hold back the spending if possible, or let you know that you're on budget. A detailed review of your bank allows you to see how much all those little things add up.

Create a budget

A budget is the best way to take control of your finances. Once you can balance what is coming in versus what's going out, you can then take action to cut your spending and make sure you are in a position to pay your bills every month.

Reduce spending

Once you've completed a household budget, it should be clear where you may be able to make some cutbacks. This doesn't have to be a case of huge changes – often it's cutting back on the small things that can make a big difference. Lose the morning latte on the way to work and you could save over £500 per year!

Use cash

One tactic to help you keep on top of your spending is to use cash rather than cards. Some people take out all the cash they can afford for the month and live on that. Alternatively, if you're going on a shopping trip, taking just what you need ensures you can't overspend.

i Reduce your spending

Reducing the amount you spend will clearly have a huge impact on your ability to pay the bills. Here we take a look at ways to cut back.

Utility bills

Make sure you're not paying over the odds for your utilities by checking for cheaper providers. There are several online utility checking websites that compare prices.

Telephones, mobiles, TV and internet

There are many packages available that provide good offers for the combination of phones, TV and broadband. Shop around for a better deal, or if you have separate providers for each of these, look to combine and make savings.

Vehicles

Many households now have two cars. As we all know, they are not cheap to run when you consider fuel, tax and any repairs. Could you get by with one car instead? Could you downsize for a cheaper option?

Weekly shopping

Most supermarkets now offer value ranges and a myriad of special offers. Consider switching to these options to save on your weekly shopping bill. Also writing a shopping list is a good way to ensure you only buy what you need.

i What to pay first

For many of us, the list of things that need to be paid every month can seem endless. But not all bills are the same. The consequences of not paying some bills are much more serious than others. These bills must be your priority – for instance, if you didn't pay your mortgage you could lose your home.

Here's a table which explains what the consequences of non-payment might be for different types of bill.

Mortgage	Losing your home
Rent	Losing your home
Secured loan	Losing your home
Council tax or rates	A visit from bailiffs, attachment of earnings order, or imprisonment
Magistrates court fines	A visit from bailiffs, attachment of earnings order, or imprisonment
Tax, VAT or National Insurance	A visit from bailiffs, attachment of earnings order, a fine or imprisonment
CCJs	A visit from bailiffs, a charging order, attachment of earnings order, or imprisonment
Child maintenance	A fine, attachment of earnings order, or imprisonment
TV Licence	A fine, attachment of earnings order, or imprisonment
Gas / Electric / Other	Disconnection
Hire purchase	Disconnection
Telephone	Disconnection

i Claiming benefits

Are you entitled to benefits? It's important to make sure you claim as much as possible to help with household spending and bills. Here are the main areas where benefits are available:

Jobseeker's Allowance

Available if you are out of work

Child Tax Credits

If you have children you may be able to claim child benefit

Working Tax Credit

Available to those with a low income

Ill or disabled?

You may be able to claim Employment and Support Allowance, or a Personal Independence Payment