

# Working out a personal budget

**Step 1** – working out your income

**Step 2** – working out your spending

**Step 3** – working out the money left over

**A personal budget is an essential tool to help you tackle debt problems. This section will help you work out how much you have coming in and what you are spending.**

**You can then see how much you have left over to pay off your debts.**

**You can start to record this information on the personal budget sheet (see page 11).**

## Why should you do a personal budget?

Working out a personal budget is important because it helps you:

- see how much money is coming into your household;
- see how much money is going out;
- see how much money you have left;
- work out affordable offers to creditors; and
- plan your future spending.

As you go through this pack you will gradually collect the facts you need to fill in the personal budget. There's space for you to make a rough copy of your details at the end of each step.

You can also use the pull-out guide to your personal budget sheet in the middle of the pack.

You can then transfer this information to the proper personal budget sheet which we have enclosed with the pack.

If you have problems working out your personal budget or any other questions, **contact us for advice**.



### Remember

#### Weekly or monthly?

Remember to fill in either weekly or monthly figures on your budget sheet – whichever suits you best. **Don't mix the two.** To work out a weekly payment on a monthly basis, multiply the payment by 52 and divide by 12. Do not mix up weekly and monthly budget figures. Stick to one or the other when you are filling in your budget sheet.

#### To convert weekly figures to monthly

Weekly figure x 52 (weeks) divided by 12 (months).

#### To convert monthly figures to weekly

Monthly figure x 12 (months) divided by 52 (weeks).

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## How to fill in your personal budget

The first three steps are to work out your income and outgoings, and to see if there is any money left to pay your creditors.

Use the notes in this section (see below) to help you work out your income and outgoings.

- **Step 1** – you add up your total **income** in **Box A** on the personal budget.
- **Step 2** – you add up your total **outgoings** in **Box B** on the personal budget.
- **Step 3** – to find out **how much money you can offer your creditors**, take away your total outgoings (**Box B**) from your total income (**Box A**). If your income is more than your outgoings, you have an amount of **money for creditors (Box C)** on the personal budget.

When you have read through this section, make a rough copy below of your figures. Transfer them to your personal budget sheet later.

You will then have filled in **Steps 1, 2** and **3** of your personal budget.

The next section shows you how to deal with priority debts (**Steps 4** and **5**). Look at this section to see if you have any priority debts. If you do not have any priority debts, go to **Credit debts** on page 25 and fill in **Step 6** of your personal budget.

## Example household

To show how you can fill the personal budget in, we made up an example household.

- Eva lives with her partner Pat and they rent their home.
- Eva works full-time and Pat works part-time.
- Pat has been working part-time since being made redundant one month ago. As Pat's wages have gone down, they have fallen behind with the rent, electricity and credit debts.
- The household includes Glenys aged 19 who has a part-time job, and Sandra who is aged 10. Glenys gives Pat and Eva £20 'keep' (non-dependant's contribution).

Our example household has used 'calendar monthly' figures on their personal budget. To work out a calendar month figure, multiply your weekly figure by 52 then divide by 12.

## Notes to help you fill in Steps 1, 2 and 3

### Step 1 – money coming in (income)

Add up the income for you and your household. Include the following.

- Wages and salary after deductions (normal take-home pay). Only include overtime if it's regular. Check with your local tax office that you have the right tax code.
- Benefits and tax credits including Child Benefit.

- Contributions from other people who live in your home such as grown-up children and elderly relatives (known as non-dependants). Try to make sure that any non-dependant is paying enough towards the household expenses.
- If you are on a low income, you may be entitled to money which you are not claiming, such as Income Support, Pension Credit, Jobseeker's Allowance, Working Tax Credit, Child Tax Credit, Housing Benefit or Council Tax Benefit.
- If you are sick or disabled, you may be able to claim a range of disability benefits.

If you need advice on claiming benefits, please **contact us**.

## Step 2 – money going out (outgoings)

Work out with your family how much money you have to spend each week on basic living expenses. At this stage don't include any debts or arrears or any credit payments.

- Mortgage. You will usually pay it monthly. To get a weekly figure, multiply the amount by 12, and then divide it by 52.
- Rent. Check whether you are entitled to any Housing Benefit (rent rebate).
- Council Tax. Check whether you are entitled to Council Tax Benefit. You normally pay Council Tax in 10 monthly instalments, but some councils will accept payments every week, or two weeks.
- Water rates. Most water companies will accept payments every month, every week or every two weeks.
- Gas and electricity. Work out the cost of your last four bills. Divide this by 52 if you are preparing a weekly budget, or 12 if monthly. Gas and electricity cost less if you pay by monthly direct debit from a bank account. If your heating bills are very high, ask about the Home Energy Efficiency Scheme (HEES) (see page 8). Some fuel companies help with cheap fridge-freezers or light bulbs. Check with your supplier.
- Housekeeping. This should include food, toiletries, cleaning materials, newspapers and so on and a small amount for entertainment and other spending. A rough guide would be as follows.

### Weekly housekeeping budget

|               |            |
|---------------|------------|
| Single person | £35 to £45 |
| Couple        | £60 to £75 |
| Each child    | £20 to £35 |
| Non-dependant | £20 to £35 |

### Monthly housekeeping budget

|               |              |
|---------------|--------------|
| Single person | £152 to £195 |
| Couple        | £260 to £325 |
| Each child    | £87 to £152  |
| Non-dependant | £87 to £152  |

You may find your total housekeeping bill is less than these figures if you have a larger family and bulk-buy and so on. Your non-dependant may cost more depending on their age.

When you have read through this section, make a rough copy below of your figures. Transfer them to your personal budget sheet later. There's an example on the left of the page.

### Example household

| <b>Step 1</b>                    |                | <b>Income</b>     |
|----------------------------------|----------------|-------------------|
|                                  |                | Weekly or monthly |
| Wages or salary                  |                | 1300              |
| Wages or salary (partner)        |                | 435               |
| Jobseeker's Allowance            |                |                   |
| Income Support or Pension Credit |                |                   |
| Tax Credit                       |                | 46                |
| Retirement or works pension      |                |                   |
| Child Benefit                    |                | 78                |
| Incapacity Benefit               |                |                   |
| Maintenance                      |                |                   |
| Non-dependants' contributions    |                | 87                |
| Other                            |                |                   |
| <b>Total income</b>              | <b>Box A £</b> | <b>1946</b>       |
| <b>Step 2</b>                    |                | <b>Outgoings</b>  |
|                                  |                | Weekly or monthly |
| Mortgage                         |                |                   |
| Mortgage endowment policy        |                |                   |
| Second mortgage                  |                |                   |
| Rent                             |                | 500               |
| Council Tax                      |                | 75                |
| Water rates                      |                | 25                |
| Ground rent or service charge    |                |                   |
| Buildings and contents insurance |                | 22                |
| Life insurance and pension       |                | 45                |
| Gas                              |                | 57                |
| Electricity                      |                | 40                |
| Other fuel                       |                |                   |
| Housekeeping                     |                | 510               |
| TV rental and licence            |                | 36                |
| Magistrates' court fines         |                |                   |
| Maintenance payments             |                |                   |
| Hire-purchase vehicle            |                | 240               |
| Travelling expenses              |                | 100               |
| School meals and meals at work   |                | 32                |
| Clothing                         |                | 65                |
| Laundry                          |                | 22                |
| Phone and mobile phone           |                | 40                |
| Prescriptions and health costs   |                | 15                |
| Childminding                     |                |                   |
| Other                            |                | 20                |
| 1 Emergencies or repairs         |                |                   |
| 2 Birthdays and Christmas        |                | 12                |
| 3                                |                |                   |
| <b>Total outgoings</b>           | <b>Box B £</b> | <b>1856</b>       |
| <b>Step 3</b>                    |                |                   |
| Total income                     | <b>Box A</b>   | 1946              |
|                                  | take away      |                   |
| Total outgoings                  | <b>Box B</b>   | 1856              |
| <b>Money for creditors</b>       | <b>Box C £</b> | <b>90</b>         |

### Your household

| <b>Step 1</b>                    |                | <b>Income</b>     |
|----------------------------------|----------------|-------------------|
|                                  |                | Weekly or monthly |
| Wages or salary                  |                |                   |
| Wages or salary (partner)        |                |                   |
| Jobseeker's Allowance            |                |                   |
| Income Support or Pension Credit |                |                   |
| Tax Credit                       |                |                   |
| Retirement or works pension      |                |                   |
| Child Benefit                    |                |                   |
| Incapacity Benefit               |                |                   |
| Maintenance                      |                |                   |
| Non-dependants' contributions    |                |                   |
| Other                            |                |                   |
| <b>Total income</b>              | <b>Box A £</b> |                   |
| <b>Step 2</b>                    |                | <b>Outgoings</b>  |
|                                  |                | Weekly or monthly |
| Mortgage                         |                |                   |
| Mortgage endowment policy        |                |                   |
| Second mortgage                  |                |                   |
| Rent                             |                |                   |
| Council Tax                      |                |                   |
| Water rates                      |                |                   |
| Ground rent or service charge    |                |                   |
| Buildings and contents insurance |                |                   |
| Life insurance and pension       |                |                   |
| Gas                              |                |                   |
| Electricity                      |                |                   |
| Other fuel                       |                |                   |
| Housekeeping                     |                |                   |
| TV rental and licence            |                |                   |
| Magistrates' court fines         |                |                   |
| Maintenance payments             |                |                   |
| Hire-purchase vehicle            |                |                   |
| Travelling expenses              |                |                   |
| School meals and meals at work   |                |                   |
| Clothing                         |                |                   |
| Laundry                          |                |                   |
| Phone and mobile phone           |                |                   |
| Prescriptions and health costs   |                |                   |
| Childminding                     |                |                   |
| Other                            |                |                   |
| 1                                |                |                   |
| 2                                |                |                   |
| 3                                |                |                   |
| <b>Total outgoings</b>           | <b>Box B £</b> |                   |
| <b>Step 3</b>                    |                |                   |
| Total income                     | <b>Box A</b>   |                   |
|                                  | take away      |                   |
| Total outgoings                  | <b>Box B</b>   |                   |
| <b>Money for creditors</b>       | <b>Box C £</b> |                   |

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- Other amounts and emergencies. This should include irregular outgoings like birthdays and Christmas, house repairs and maintenance, and a 'cushion' against emergencies. Either build it into the housekeeping figure or list it as a separate item on your personal budget. Be prepared to explain this figure to your creditors who may question it, if it is quite high.
- TV licence. Allow £3 a week for a colour licence (£12 a month) and £1 a week (£4 a month) for black and white. This is a priority payment. This is because you can be fined in the magistrates' court for not having a licence. This can lead to bailiffs calling or even you going to prison if you don't pay the fine. See the section on **Magistrates' court fines** on page 21. As well as having the fine to deal with, you will still need a TV licence. There is a 50% reduction if you are registered blind. The licence is free if you are over 75. There are different ways of paying for a TV licence.
  - By using the new TV Licensing savings card or making payments at PayPoint outlets in shops.
  - By direct debit either every three months or every month from your bank account. Contact the TV Licensing customer enquiries on 0870 241 7167.
  - There is a payment scheme called 'cash easy entry' which allows weekly or fortnightly payments if you are on Housing Benefit, Council Tax Benefit, Income Support, Pension Credit, income-based Jobseeker's Allowance, Working Tax Credit or Child Tax Credit. Contact the cash easy entry helpline on 0845 601 5526 to apply. The TV Licensing website is [www.tvlicensing.co.uk](http://www.tvlicensing.co.uk).
- Magistrates' court fines. These are a priority and you should include them in your essential outgoings. See page 21. They are different from county court judgments, which you should include with credit debts.
- Maintenance. Include voluntary payments and any payments ordered by the court or Child Support Agency. See page 22.
- Travelling expenses. These should include travelling to work, school and for shopping. If you are running a car, include tax, insurance, repairs, MOT and servicing as well as petrol.
- Hire-purchase cars. If you need a car for work or for mobility reasons (and you have bought the car using a hire-purchase type arrangement), you will need to include these payments in your normal 'outgoings' or you may lose the car. See **Hire purchase** on page 23.
- School meals. Check to see if you are entitled to Income Support or income-based Jobseeker's Allowance. If so, you can claim free school meals. You can also claim if you receive Child Tax Credit, work less than 16 hours a week, and your income is below a set amount.
- Free prescriptions, dental treatment and sight tests or glasses. The rules are different depending on whether you live in England and Wales. Contact your local advice agency, Department for Work and Pensions or contact the Help with health costs advice line on 0845 601 8076. If you cannot claim free prescriptions, you may be able to reduce the cost by buying a prepayment certificate.
- Health costs. Make sure you include any extra costs you have because of an illness or disability. This might be due to a special diet, extra clothing, bedding, special equipment, help in the home or extra costs as well as prescriptions.
- Clothing. As a rough guide, allow £3 to £5 for each person each week. Don't forget the costs of school uniform. Only include non-dependants if you pay for their clothing.
- Phone. Only include your ongoing bill. You should ask your phone company if you can pay in instalments. BT has a new payment plan called 'Pay&Call' where you build up a 'moneybox' which you use to pay for your calls, your line rental and debt that you have. You can choose when to pay, and how to pay including direct debit, debit card or a payment card you can use at PayPoint outlets. If you have been disconnected, treat the bill as a credit debt (see page 25). Ask about budget payments. If you agree a payment plan for your bill, BT will let you keep an incoming calls only service.

## Remember It's your budget

Your household's outgoings may be different from our guidelines. You may have extra expenses because of your circumstances, such as a special diet, extra transport costs due to a disability or you live in a rural community, the cost of a uniform for work, or regular payments you have to make because of your religion. **It is your personal budget, so the figures should be your own.** Be careful! If you don't take account of extra expenses (or if your figures are much below our guidelines), you may find it more difficult to stick to any long-term repayment plan. This could lead you into greater difficulties.

## Step 3 – money left over for creditors

You work this out by taking your total outgoings from your total income. If your income is more than your outgoings, you have an amount of money for creditors (**Box C**) on the personal budget.

## Are your outgoings more than your income?

If your outgoings are more than your income, you should do the following.

- Check whether you are entitled to extra benefits such as Jobseeker's Allowance, Income Support, Pension Credit, Working Tax Credit, Child Tax Credit or Housing Benefit or Council Tax Benefit. Ask at your local Department for Work and Pensions office, council, or local advice centre or **contact us for advice**.
- Check that you are spreading out payments on your household bills so you don't have to pay bills all at once. Gas, electricity, water and phone companies usually have budget payment schemes.
- See if you can cut down on any of your outgoings, but try not to cut down on basics like food, gas and electricity.

If your outgoings are still more than your income after doing these things, **contact us for advice**.