



## Budgeting and saving

Fact sheet no. 19 EWS Budgeting and saving

November 2016

This fact sheet explains about day-to-day budgeting for your household. You can use this fact sheet to find ways of planning and managing your spending.

Use this fact sheet to:

- help you make sure you do not spend more money than you have coming in;
- keep your costs of living under control;
- find out which debt options are available to you; and
- get some practical advice about saving for occasional costs, like car repairs or Christmas.

### Why is budgeting important?

Budgeting is important because it helps you:

- see what money you have coming in;
- see what money you have going out;
- pay your essential bills on time;
- work out payments to any debts you may have; and
- plan your future spending.

To get started, you need to work out a **personal budget**. Contact us for a blank copy of a budget sheet. If you would prefer to work out your budget online, our website has a [budget tool-kit](#).

Once you have finished completing your **personal budget**, you will be able to see how much money you have left to pay towards your debts.

**Contact us for advice** if your outgoings are more than your income.

### Working out your income

Add up the income for you and your household.

Include the following.



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- 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.
- If you are on a low income, you may be entitled to benefits that you are not claiming.
- If you are sick or disabled, you may be able to claim a range of disability benefits. **Contact us for advice.**
- 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 and don't forget to include any extra housekeeping costs for them.

## Your assets

Assets are things like savings or the value of property, such as your home or car. You don't have to list your assets. Creditors will not usually expect you to sell your home and essential household items to pay off your debts.

## Working out your outgoings

Working out your outgoings will help you see how much money you need to spend on basic living expenses. At this stage, don't include any debts, arrears or credit payments.

Your budget should include the following areas.

- Essential spending, which includes household bills and regular payments.
- Phone costs.
- Travel costs.
- Housekeeping which, as well as covering things like food and cleaning materials, also includes clothing.
- Other spending which includes outgoings that are not covered anywhere else in your **personal budget**.

## Are my outgoings reasonable?

Many of your outgoings will be based on your regular bills or direct debits and standing orders from your bank account. You might not have much control over some of these amounts. It is important that the amounts you put in your **personal budget** are based on your true spending so the budget is accurate.

- **Be careful and be realistic**

Do not include figures that are less than you are really spending. If your figures are too low, you will find it hard to keep to your budget.

- **Be sensible about your spending**

### Extra advice:



#### do a monthly budget

The easiest way to work out a budget is to use monthly figures. If you pay for some things weekly or fortnightly, remember that you will need to change these to a monthly amount.

**To change weekly figures to monthly figures** Weekly figures x 52 (weeks) divided by 12 (months)

**To change fortnightly figures to monthly figures** Fortnightly figure x 26 (payments) divided by 12 (months)

**To change four-weekly to monthly figures** Four-weekly x 13 (payments) divided by 12 (months)



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If you have debts and your creditors don't think that your outgoings are reasonable, they are less likely to agree to reduced payment offers. If you are not sure, **contact us for advice**.

For more information see our **Dealing with your debts pack**. **Contact us** if you would like a copy to be posted to you.

## Money left over

Money left over after you have worked out your income and your outgoings can be used to do the following.

### Deal with your debts

You may not have enough money left over to pay the normal monthly payments on your debts. If this is the case, you need to decide which debt option is best for you.

There is a section in your **personal budget** for you to list the debts you have. If you want to negotiate with your creditors yourself, you can work out offers of payment and put these on your budget.

Creditors do not need to see all the details of your **personal budget**. You should fill in a **budget summary** if you are going to negotiate with creditors yourself. This has enough information for the creditor to decide whether this is a fair offer of payment.

See our website [www.nationaldebtline.org](http://www.nationaldebtline.org) for details of debt options you might have, or **contact us for advice**.

If you have got enough money to pay the normal monthly payments on your debts, you should make these payments in full.

**See our fact sheet:**  
**Options for dealing with your debts.**



### Save for essentials

It is a good idea to save some money each month if you can. This helps you plan ahead. It can be hard to stick to repaying any debts you might have, or your essential bills, when an important expense needs paying. This could be that your car needs fixing, or an urgent house repair. You can spread out these payments, and make budgeting much less stressful, if you regularly put a bit of money aside to pay for expenses such as these.

Other costs come up occasionally, such as MOTs, birthdays and Christmas. It is important to save regularly for these things, so the money is there when you need it. Set aside a monthly amount in your **personal budget** for these sorts of costs.



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Think about opening a savings account or joining a credit union. If you join a credit union and start saving with them, you will also be able to apply to borrow money once you have proved you are a reliable saver. Check the **Money Advice Service** website [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk) for information about credit unions.

See **Saving** later on in this fact sheet.

## Take out more credit

If you cannot afford to pay your existing debts, taking out more credit will often make the situation worse. It might mean missing payments on your on-going household bills and your other debts. It could make it harder to negotiate with your creditors, and can cause problems with some debt options, so think very carefully before you do this. Your **personal budget** will tell you if you have enough money left over to pay the monthly payments.

### Extra advice:



#### pensions

It is important to try and pay towards a pension to save for your retirement. You need to think about how much to save, and about the different options that are available.

**If you are 55 or over**, you may be able to use your pension fund now, but this could reduce your income in the long term.

For more advice, contact the Pensions Advisory Service. Call **0300 123 1047** or see [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk).

## Managing your money

### TV licence

Paying for your TV licence is a priority. This is because you can be fined in the magistrates' court for not having a licence. This can lead to bailiffs (also known as enforcement officers) calling, or even to you going to prison, if you don't pay the fine. As well as having a fine to deal with, you will still need a TV licence.

You can pay your licence weekly, fortnightly, monthly or every three months. Work out which one will suit you.

- You will get 50% off your TV licence if you are registered blind. The licence is free if you are over 75.
- You can use the TV Licensing savings card or make payments at PayPoint outlets in shops. To apply for a TV Licensing savings card, contact **0300 555 0281**.
- You can pay by direct debit either every three months or every month from your bank account. See [www.tvlicensing.co.uk](http://www.tvlicensing.co.uk) or call **0300 790 6144**.
- The payment card method allows you to make payments towards your licence every week or two weeks. You can only use the scheme for colour licences. Contact the cash payment plan helpline on **0300 555 0286** or check the TV licensing website.

### Gas and electricity bills

It is very important to budget for gas and electricity bills. Your energy company should offer you different payment options and budgeting schemes to suit you. You can ask to pay your bills every week, every two weeks, or every month.



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## Help with high bills

If your heating bills are very high, contact the Energy Saving Trust website [www.energysavingtrust.org.uk](http://www.energysavingtrust.org.uk) to get information on grants, help with energy costs and how to save money on heating bills.

If you live in England or Wales, you can call the **Energy Saving Advice Service** on **0300 123 1234**.

If you live in Scotland call **Home Energy Scotland** on **0808 808 2282**.

You may be able to get a grant or a loan to help with insulation, draught proofing, central heating and other energy-saving measures. Some energy companies offer energy-saving schemes and discounts. Energy companies may also help with cheap fridge-freezers or light bulbs. Check with your supplier.

## Getting the best energy deal

You might be able to save some money by switching to another supplier. This may work out cheaper, particularly if you have both gas and electricity from the same supplier. If you owe money, you may not be accepted by a new supplier but you should be allowed to switch if you have a pre-payment meter and owe less than **£500**. There are a number of independent internet price-comparison sites that can help you find the best deal. Contact the **Citizens Advice consumer service** on **0345 404 0506** for a list of authorised companies, or check the list on the **Ofgem** website [www.ofgem.gov.uk](http://www.ofgem.gov.uk).

If you already get the Warm Home Discount, check that you will keep this with any new supplier.

## Help from gas and electricity companies

Some energy companies have set up trust funds that may be able to help you pay your energy bills if you are in financial difficulties. Ask your energy company if they run a scheme or contact us for details. You can also download a guide called **Find a scheme that can help you with your water and energy bills** from the **Auriga Services Ltd** website [www.aurigaservices.co.uk](http://www.aurigaservices.co.uk).

## Best deals for your phone calls

Check your phone contract is the best you can find. You may be able to make savings if you switch phone companies. Another way to cut costs is to use an 'override provider'. You won't have to change your phone line but, by dialling a prefix number, you could cut the cost of daytime calls and calls to mobiles.

Even if you don't want to change your phone company, there are other ways to cut down on your phone bills.

- Pay by direct debit.
- Use the internet. If you have access to the internet, you may be able to talk for free using software such as Facetime, Skype, Viber or WhatsApp.
- Check your contract. Are there extras such as voicemail that you don't really need? If you have an expensive 'unlimited anytime' package, do you really need it?
- See if your phone company has a social tariff. This may be helpful if you are on certain benefits and only use your phone occasionally.
- See if you can switch to paperless billing. If you agree to get your bills online, you could save some money.
- If you use directory enquiries, re-dial on the number they have found for you, instead of asking them to transfer your call.



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If you have a bill that you cannot afford to pay and you want to keep the phone line, ask your phone company if you can pay by instalments. Your phone company may be more likely to agree if you set up a monthly payment plan, perhaps by direct debit. They may also agree to let you have only incoming calls for a short time to help reduce your bills. When you have cleared your arrears, you may then be able to go back to your normal phone package.

## Best deals for your broadband

There are lots of companies offering broadband so shop around for the best deal. You will usually also have to pay for line rental, and many companies offer digital television packages too. Check to see if you can get a better deal paying for these separately where possible. Make sure any usage cap is suitable for you, to avoid further charges. If your current contract is finishing, do not be afraid to ask for a better deal.

Ofcom recommend a number of price comparison websites, see

## Help with water bills

You may be able to reduce your water bill or get help with water debt in the following ways.

- Most water companies have **social tariffs**, and some have re-start schemes or trust funds too. You may be able to get help to reduce or pay your water bills if you are in difficulty. Ask your water company if they run a scheme or contact us for details. You can also download a guide called **Find a scheme that can help you with your water and energy bills** from the **Auriga Services Ltd** website [www.aurigaservices.co.uk](http://www.aurigaservices.co.uk).
- Water meters only charge you for the water you actually use and this could make your bills cheaper. Ask your water company for advice or use the water-meter calculator on the **Consumer Council for Water's** website [www.ccwater.org.uk](http://www.ccwater.org.uk). If you can't fit a water meter, ask your supplier about an assessed charge.

### Important:



#### water bills in Scotland

If you live in Scotland your water bill is normally paid with your **council tax**, unless you have a water meter.

You can ask Scottish water for a meter, but you will have to pay some of the installation costs. **It may also only be cheaper to have a water meter in Scotland if you have a larger household.**

## Travel costs

If you use public transport, you may be able to save money by buying a weekly, monthly or annual travel pass. Some employers have schemes to make it easier to pay.

Cycling is free but bicycles can be expensive. Some employers may use a scheme to help reduce and spread the cost.

Running a car can be very expensive. Make sure your budget allows for costs such as road tax and MOTs. It is important to save regularly, so you have money to pay for any repairs that are needed. Avoid using your car if you can.

## Saving

Allow yourself an affordable weekly or monthly amount in your **personal budget** for occasional costs like Christmas, birthdays or car repairs. Also try to put something aside for unexpected costs and emergencies if you can.



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You could save in a bank or building society account and be paid interest on your savings. Shop around for the best deal or speak to an independent financial adviser. See [www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk).

See if there is a local credit union you can join. Credit unions are saving schemes run by their members which also allow you to borrow twice more than you have saved, at a low interest rate. Interest rates are low and a credit union will also normally pay out a dividend to you once a year. The amount you get depends on how much you have saved and how much profit the credit union has made. Contact the **Association of British Credit Unions Limited** on **0161 832 3694** to find a credit union near you or see [www.abc.ul.org](http://www.abc.ul.org).

With some types of saving account you may not be able to get your money back out straight away, or may be penalised for taking out money earlier than agreed. Make sure the savings option you choose will be suitable for you. The **Money Advice Service** can give you advice about different ways of saving, and tell you how to find independent financial advice, see [www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk).

Christmas can stretch the family budget. Some supermarkets and shops have Christmas saving schemes you can join. Some catalogue companies do hampers for Christmas which you can buy over a year.

- Set your festive budget and save on a regular basis throughout the year.
- Budget to keep paying your regular bills.
- Shop around for the best deals.
- Keep track of what you have spent.
- Include in your plan your Christmas dinner as this can be a big expense in itself.
- Have a stress free Christmas!

## Some golden rules

- Don't ignore the problem: it won't go away and the longer you leave it, the worse it will get.
- Don't borrow money to pay off your debts without thinking carefully. Get advice first.
- Use our information pack to help you work out your **personal budget**. This will help you decide the best way to deal with your debts.
- Make sure you tackle your priority debts first, for example, debts which could mean losing your home or having your electricity or gas cut off.

### Important:



#### saving accounts

If you owe money to a bank or building society and do not pay them, they may take money out of accounts you have with them to pay the debt.

This includes **saving accounts**. It is best to save money with a bank or building society that you do not owe any money to.

### Information:

INFO

#### Christmas saving schemes

Many schemes pay out vouchers, so you will only be able to buy from selected shops or companies. Make sure they stock the things that you want at a fair price.

As Christmas clubs are not regulated by the **Financial Conduct Authority**, you cannot complain to the **Financial Ombudsman Service** if you are unhappy with the scheme. You may also not be able to get your money back if the scheme fails.



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- If you decide that making reduced offers of payment to your creditors is the way to deal with your non-priority debts, use your **personal budget**. Contact everyone you owe money to and make arrangements to pay a reduced amount that you can afford.

If you are falling behind with your bills and worried about how to pay your credit debts, **contact us for advice** and a copy of our information pack **Dealing with your debts**.

**MONEY**  
ADVICE TRUST



National Debtline endeavour to keep our fact sheets as up-to-date as possible, however, we cannot be held responsible for changes in legislation or for developments in case law since this edition of the fact sheet was issued.

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