



CITIZENS ADVICE AND RIGHTS FIFE

BUDGETING GUIDE

MONTHLY BUDGET

MONTH OF				
TOTAL INCOME		OTHER INCOME / SAVINGS		
EXPENSES ITEM	BUDGET	ACTUAL	DIFFERENCE	NOTES
<input type="checkbox"/> MORTGAGE/RENT				
<input type="checkbox"/> HOUSEHOLD MAINTENANCE				
<input type="checkbox"/> TAXES				
<input type="checkbox"/> INSURANCE				
<input type="checkbox"/> ELECTRICITY				
<input type="checkbox"/> WATER				
<input type="checkbox"/> GAS				
<input type="checkbox"/> PHONE				
<input type="checkbox"/> SUBSCRIPTIONS				
<input type="checkbox"/> MOBILE PHONE				
<input type="checkbox"/> SHOPPING				
<input type="checkbox"/> ENTERTAINMENT				
<input type="checkbox"/> DONATIONS				
<input type="checkbox"/> CAR INSURANCE				

**Citizens
Advice &
Rights
Fife**



Independent advice for our community

BUDGETING

Budgeting correctly, is the first step to putting you in control of your own finances. This guide will help you by providing hints, tips and tools to manage your money.

WHY BUDGET?

- To help you to make realistic decisions about your spending.
- To identify where you can make changes to your spending.
- To help you make savings where possible.
- To keep track of your spending to ensure all priority payments are met.
- To plan for future spending.
- To mitigate against unexpected costs.

Completing a comprehensive budget is also the starting point for dealing with your debts. All advice agencies, including CARF, will expect you to complete a budget or financial statement before your options for dealing with debts can be discussed.

A budget is telling your money where to go instead of wondering where it went

WHAT YOU NEED TO START

A successful budget relies on using accurate figures and up-to date information. We would suggest that you consider your income and expenditure over the last 3 month period along with any irregular spending such as birthdays to determine your budget.

Whilst this may seem time-consuming, having the correct information and documents to hand will ensure that completing a basic budget, is easier than you may think.

We would recommend that you start with the following documents:

- Wage slips
- Benefit statements
- Pension – income statements
- Bank statements
- Utility bills (Gas, Electric, and Broadband etc.)
- You will also need:
- Your latest letters from your creditors
- A pen and paper
- A calculator



You will find an income and expenditure template at the end of this document that you can use to calculate your budget manually. We have also provided links to online versions.

CALCULATING YOUR INCOME

It is essential that you calculate a realistic budget in order that you have enough money to live on. This will also determine what you have left to pay towards your debts.

- Use your wage slips, benefit award letters, pension statements and bank statements to calculate your income.
- If you live with a partner, it would be helpful to complete your budget together. You will require accurate details of your partner's income.
- If you don't live with a partner but live with other people, include your income and your share of household expenses.
- Use monthly figures. If any of your income or outgoings is not paid monthly you will need to calculate the monthly amounts (see page 5 for example).
- You don't have to do everything at once. It may help to do it in stages.



CALCULATING AVERAGE MONTHLY INCOME

- For weekly income, multiply your weekly earnings by 52 (the number of weeks in a year) and then divide that result by 12 (the number of months in a year).
- If your income is 4 weekly – Multiply your 4 weekly income by 13 & divide the result by 12
- If your income is fortnightly - Multiply your fortnightly income by 26 & divide the result by 12



OUR FIFE – BENEFITS CHECKER

Check that you are receiving all of the benefits that you may be entitled to. Visit the OurFife website.



our.fife.scot/gethelp

CALCULATING YOUR OUTGOINGS

- The budget splits your monthly outgoings into five groups: **Essential, Phone, Travel, Housekeeping** and **Other outgoings**
- There are some costs you have no control over such as rent, mortgage and council tax whilst others vary. Make sure the figures in your budget show how much you actually spend.
- Calculating some of your expenditure may be difficult, especially where food spending is concerned. Keeping a record of this spending over a 4-6 week period may help to calculate a more accurate figure.
- Remember to include small purchases, those you may use cash for and things you need to buy now and again. These can add up and be easily overlooked.
- Don't be tempted to include less than you really spend. This will make it difficult to keep to your budget.
- You may underestimate the amount you spend on gifts for example, so take time to calculate your actual costs over the year and divide this by 12.

TOP TIP #1



If you have to borrow shop around for credit (Credit Unions offer savings/loan facilities and access to discounted white goods in addition to other services).

KNOW WHAT YOU OWE

It may seem obvious but before you list your debts, make sure you know what you are liable for and how much you owe.

- Open your letters. If this makes you feel uneasy ask someone that you trust to open them with you
- Do you owe the money? Only pay towards debts that you are personally liable for.
- Have you checked your statements? Check the amount you are being asked to pay is correct and are included in the statement.
- Have you taken out any debt with another person? If you have a debt with another person you are both responsible for the full debt and not just part of it.
- Are you a guarantor? If the person who borrowed the money doesn't pay you will be asked to make the payments.
- Is someone guarantor for your debts? If someone else agreed to be a guarantor for your debts, they will need separate advice.

CHECK IF YOU HAVE TO PAY A DEBT

If you're responsible for a debt it's called 'being liable'. It means you'll have a legal duty to pay it. If you're not liable you should be able to challenge the creditor.



HOW TO START YOUR BUDGET

- Review how you pay your bills. You can pay by direct debit which is sometimes cheaper and splits your costs equally over the year.
- Identify your priority payments, these are typically essential bills such as rent or mortgage, council tax, gas and electricity bills, insurances etc.
- Once your priority payments have been paid, you could divide the remaining money into weekly amounts or 'pots'. This is known as the 'jam jar' approach. It can help you to manage your money. See page 11.
- Use two bank accounts (an income account for general spending and a bills account). Keeping your bill paying account separate from your general spending can ensure that your bills are paid. Consider a basic bank account and online banking. See page 10.
- When buying goods and services you should always shop around for the best deals. Use comparison sites (a site that compares products/topics i.e. insurance / energy / broadband).



TOP TIP #2



Check your tax code on your payslip is correct.



TOP TIP #3



Build savings into your budget where possible.



TIPS FOR STICKING TO YOUR BUDGET

PLAN FOR WHEN YOUR INCOME DROPS

- If your take home pay fluctuates, try to plan for when this happens. Your budget will help you to do this.
- When you earn more than your average monthly income put the extra money to one side. This will help make up the shortfall in the months that your income is below your average monthly income.
- Make a note of your average monthly income figure (see below).

- If your income is weekly - Multiply your weekly income by 52 (weeks in the year) & divide the result by 12 (months in the year)
- If your income is 4 weekly - Multiply your 4 weekly income by 13 & divide the result by 12
- If your income is fortnightly - Multiply your fortnightly income by 26 & divide the result by 12



MANAGING YOUR INCOME

- If things become difficult, always make sure you try to pay priority payments, such as your rent or mortgage, Council Tax and utilities.
- Ensure that you distinguish between spending and your debt repayments. Do not utilise credit cards for daily living costs.
- Ensure that you budget for one-offs. This may be for annual holidays, birthdays or Christmas.
- If you are struggling it is best to get in touch with anyone you owe money to as soon as possible. They may be able to set up an arrangement to spread your payments until you get your finances under control. Don't rush into borrowing, seek Money Advice first.

BASIC 'SAFE' BANK ACCOUNT

In order to budget successfully and to help manage your debt, it is important that you have a basic bank account with a bank or building society that you do not owe any money to. This ensures that your bank cannot take money from your account to pay another account that you have with them that may be overdue. This is called the 'right of set-off'.

We recommend opening a basic bank account with no credit facilities, such as an overdraft. Some debt remedies restrict your ability to obtain credit and some banks will close your account. Having a basic bank account with a bank or building society that you do not owe any money will prevent this from happening.

BUDGETING ACCOUNT OR BILL PAYING ACCOUNT

It is helpful to use a separate bank account for different types of spending.

This can ensure that you are only spending money that you have available. A separate bank account used solely for paying essential bills will help ensure that your bills are always paid. A standing order from your main bank account coming out a day or two after you get paid can be set up to send sufficient money to cover all of your regular monthly bills.

You can also set up additional accounts for regular savings, holidays etc. as a way of spreading the cost of large or one off items.

UPDATE YOUR BUDGET IF YOUR CIRCUMSTANCES CHANGE

- Circumstances change from time to time and so will your budget. It is important that your budget continues to give you an accurate picture of your situation.
- It would be helpful to review your budget every six months, or earlier if there are changes.

THE 'JAM JAR' METHOD

You may prefer to budget and pay bills via cash instead of via a bank account. Using real containers such as jam jars or envelopes can assist you with your budgeting.

Once you have identified your budget and what is required to be paid each month, split your income into your 'containers'



Whether you budget via a bank account or the 'jam jar' method, you need to avoid dipping into them for other purposes otherwise these methods are unlikely to work and you risk failing to pay bills.

BUDGETING TIPS

- Read and submit your gas & electric meter reading regularly if you are not on a smart meter, at least every 3 months.
- Consider energy saving measures such as saving laundry/dishes until the machine is full.
- Switch off lights/sockets when not in use.
- Only fill up your kettle to the amount you need.
- Try to avoid going grocery shopping when you are hungry.
- Plan your weekly menu.
- Make a list and stick to it.
- Use 'money-off' coupons.
- Use supermarket points cards, if available, consider shopping on line.
- Think twice about special offers - do you really need them?
- Consider reduced price items and/or supermarkets own brands.
- Consider making small cutbacks on non-essential items. What can you do without to get back on track?
- Review insurance to avoid duplicate cover.
- Review mobile phone packages/utilities/cable or Sky packages/ internet/broadband and landline packages. If you are in receipt of a low income or benefits you may be entitled to a social tariff with a discounted rate.



GETTING IN TOUCH WITH US

If you require assistance with unmanageable debt please contact us for independent and confidential information and advice.

You can request an appointment with a Money Adviser by completing a digital form on our Client Self Service Portal.

[MONEYADVICE.CABFIFE.ORG.UK](https://moneyadvice.cabfife.org.uk)



Alternatively, if you have limited digital access or have a debt emergency such as court documentation please contact us via telephone.

For more information visit our website.



[WWW.CABFIFE.ORG.UK](https://www.cabfife.org.uk)

MONEY ADVICE HELPLINE



0345 140 0094

GENERAL ADVICE HELPLINE



0345 140 0095

OTHER USEFUL WEBSITES

SUPPORT WITH COST OF LIVING

- our.fife.scot/gethelp
- moneymap.scot/
- www.moneyhelper.org.uk/en

BUDGETING

- moneymap.scot/budgeting/
- www.moneyhelper.org.uk/en/everyday-money/budgeting
- www.moneysavingexpert.com/banking/budget-planning/

BANKING

- moneymap.scot/banking/
- www.moneyhelper.org.uk/en/everyday-money/banking/compare-bank-account-fees-and-charges

COMPARISON WEBSITES

- www.uswitch.com/
- www.moneysavingexpert.com/

ENERGY ADVICE

- www.cosykingdom.org.uk/

SOCIAL TARIFFS

- www.ofcom.org.uk/phones-and-broadband/saving-money/social-tariffs/

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