

Guide to working out your budget

This guide will help you and your adviser to draw up a budget plan. If your adviser asks you to fill in some of the figures, make sure you take the form back to your adviser.

Do not send this budget plan to your creditors.

Your adviser will use the information in this budget plan to work out offers to your creditors using the Common Financial Statement. 

How to contact your adviser

Name: _____

Advice agency: _____

Phone no: _____

Email: _____

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Guide to working out your budget

Why should you do a budget plan?

Working out a budget plan is important, because it helps you:

- become aware of how much money is coming into and going out of your household;
- work out how much money you have left to pay off your debts;
- plan affordable offers to creditors; and
- take control of your future spending.

This guide to working out your budget has been put together to help you collect the facts you need to fill in a draft budget plan.

You can then take the plan to your adviser who will:

- check all the facts and agree the figures with you;
- work out offers of payment that you can afford;
- put together a summary of your budget plan to send to your creditors;
- talk to your creditors on your behalf; and
- sort out how you will make payments to your creditors from now on.



Information

Before starting to work out your budget you need to be clear about whose details you are going to include. **For example:**

- If you live with a partner, are you going to prepare a joint budget?
- If you have any non-dependants living with you how will you treat their income and outgoings?

A non-dependant is someone who lives with you such as grown-up children and elderly relatives. If they are included in your outgoings they **should be contributing** to the household income as well.

If you need more help, ask your adviser.

Step 1 – Working out your income

- Use the boxes below to write down all the types of income you have coming into your household.
- Your adviser will check your income details with you and include a summary of this information on the financial statement to send to your creditors.
- Ask your adviser to check that you are receiving all the benefits and tax credits you are entitled to.
- You can also talk to your adviser about whether there are any ways of increasing your income.



Remember

Remember to fill in either weekly or monthly figures on your budget plan – whichever suits you best. **Don't mix the two!** Stick to one or the other when you are filling in the boxes on the budget plan.

To convert weekly figures to monthly figures

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

To convert monthly figures to weekly figures

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

Salary or wages



Remember

You should include your wages and salary after deductions for tax, National Insurance and pension contributions (that is, your normal take-home pay). Only include overtime payments if you receive these on a regular basis.



Extra help

You can use the notes box to jot down things you think your adviser might need to know. E.g. if you are expecting a change in your income.

Salary or wages	Weekly £	Monthly £	Notes
Your salary or wages			
Partner's salary or wages Only include your partner's wages if you are doing a joint budget and sharing outgoings.			
Other salary or wages This might be from a second job for example.			
TOTAL			

Other income

Other income	Weekly £	Monthly £	Notes
<p>Maintenance or child support This means maintenance paid to you, not maintenance you pay to anyone else. Check whether the maintenance you are getting can be increased.</p>			
<p>Boarders or lodgers</p>			
<p>Non-dependants' contributions Do you have grown-up children or other relatives living in your home? Make sure they are paying enough towards household expenses.</p>			
<p>Student loans and grants If you are a student it is quite complicated to work out your income from loans and grants and what period it covers. You need to talk to your adviser about how to deal with this.</p>			
<p>Other</p>			
<p>Other</p>			
<p>TOTAL</p>			

Step 1 – Working out your income

Benefits

- You need to include all benefits paid to you and your partner (if you are preparing a joint budget).
- Some benefits such as Child Benefit are paid every four weeks. **Make sure not to write a four-weekly amount in the “monthly” box by mistake.** Use the “notes” box if you need to.



Remember

If you need to change a four-weekly figure to a monthly figure.

Four-weekly figure x 13 (payments) divided by 12 (months).



Extra help

Remember to write down which person in your household is getting a benefit in the space provided below.

Benefits	Weekly £	Monthly £	Who gets this benefit?	Notes
Income-based Jobseeker's Allowance				
Contribution-based Jobseeker's Allowance				
Income Support				
Working Tax Credit				
Child Tax Credit				
Child Benefit				
Incapacity Benefit				
Statutory Sick Pay				

Benefits	Weekly £	Monthly £	Who gets this benefit?	Notes
<p>Disability Living Allowance</p> <p>Explain in the notes box who gets Disability Living Allowance and why. You need to write down how you spend this money to help with care and mobility needs in “Adult Care Costs” or “Child Care Costs” in the “Outgoings” section.</p>				
<p>Attendance Allowance</p> <p>Write in the notes about who gets Attendance Allowance and why. You need to write down how you spend this money to help with care and mobility needs in “Adult Care Costs” in the “Outgoings” section.</p>				
<p>Carer’s Allowance</p>				
<p>Housing Benefit</p> <p>If you include your Housing Benefit as income, make sure you put your full rent in the “Outgoings” section.</p>				
<p>Council Tax Benefit</p> <p>If you include your Council Tax Benefit as income, make sure you put your full Council Tax in the “Outgoings” section.</p>				
<p>Maternity Allowance</p>				
<p>Statutory Maternity Pay</p>				
<p>Other</p> <p>Include any other benefits you receive here.</p>				
<p>Other</p> <p>Include any other benefits you receive here.</p>				
<p>TOTAL</p>				

Step 1 – Working out your income

Pensions

- You need to include all pensions paid to you (and your partner if you are preparing a joint budget.)

Benefits	Weekly £	Monthly £	Who is this pension paid to?	Notes
Your state pension				
Your partner's state pension				
Your private or work pensions				
Your partner's private or work pensions				
Pension Credit Write down which person in your household is getting Pension Credit.				
TOTAL				

Step 2 – Working out your assets

- What we mean by assets are things like your savings or your property such as the value of your home or car.
- It is important that your adviser knows about any assets you have and how much your house or flat is worth.
- This information is needed to make sure that you and your adviser have a full picture of your situation. This will help you consider all options you have to deal with your debts.
- When your adviser sends your financial statement to your creditors, they will need to confirm that they have discussed your assets with you and whether you can make any lump sum payments to pay off your debts.

House or flat

- Complete the table below if you own your own home.

House or flat	£	Notes
How much is your house or flat worth?		
How much is the mortgage you owe?		
How much is any secured loan you owe?		

Step 2 – Working out your assets

Other assets

- Complete the table below if you have other assets that you need to think about.

Other assets	£	Notes
How much is your car worth?		
How much of any hire-purchase loan do you have left to pay on your car? Make sure you only include a hire-purchase or conditional-sale loan here. If you need more help, ask your adviser.		
How much are your savings? Don't include your children's savings here.		
What other assets do you have? You can write down any other assets you have in the notes box.		

Step 3 – Working out your spending

It is very important to work out with your family how much money you have to spend each week or month on basic living expenses. Don't include any payments you have to make on debts or arrears or any credit payments.

- In the box below, we have divided the essential expenditure you might have into sections. This should make it easier for you to list all your outgoings.
- Be careful! Make sure you haven't forgotten any of the things you spend money on.
- If you leave something out, you may find you can't keep up with the payments you agree with your creditors. This could lead you into greater difficulties. If you need more help, ask your adviser.



Remember It's your budget

Your household's outgoings may be different from those of other households. You might have extra expenses because of your circumstances, such as a special diet, extra transport costs due to a disability or if 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 budget so the figures should be your own. Write about extra expenses in the "notes" boxes.

Essential expenditure

- In this table you should only give details of what your normal payments are for these items. If you also have arrears to pay off, you need to include the arrears in the table about "priority debts" on page 19.

Essential expenditure	Weekly £	Monthly £	Notes
Rent This should be your full rent. Include any Housing Benefit you get to help with the rent in the "Income" section.			
Ground rent and service charges You will normally only pay these charges if you own your flat. If you need more help, ask your adviser.			
Mortgage			
Other secured loans			
Mortgage endowment			
Mortgage Payment Protection Insurance			

Step 3 – Working out your spending

Essential expenditure	Weekly £	Monthly £	Notes
Buildings insurance			
Contents insurance			
Pension			
Life insurance			
Council Tax This should be the full Council Tax you are supposed to pay. Include any Council Tax Benefit you receive in the "Income" section.			
Gas			
Electricity			
Water Make sure you include your ongoing water bills here. You can no longer be disconnected for water rates arrears. Include your water debts with your non-priority credit debts in Step 5 .			
Other fuel For example coal, oil, calor gas etc.			
TV Licence You may be able to pay weekly or fortnightly using the "cash easy entry" scheme. If you need more help, ask your adviser.			

Essential expenditure	Weekly £	Monthly £	Notes
<p>Magistrates' court fines Do not include county-court judgments. Include these with your non-priority credit debts in Step 5.</p>			
<p>Maintenance or child support</p>			
<p>Hire purchase or conditional sale For example, this could be for a car that you need for work.</p>			
<p>Child care costs This may include child minders and nursery fees, after-school clubs etc. If your child has extra costs because of an illness or disability include them here. This might include extra clothing and bedding, special equipment, help in the home or extra costs. If you are getting Disability Living Allowance, say what you use the money for. If it is for something special, like taxis or care needs, write this down too.</p>			
<p>Adult care costs Make sure you include any extra costs you have because of an illness or disability. This might include extra clothing and bedding, special equipment, help in the home or extra costs. If someone in your household is getting Disability Living Allowance or Attendance Allowance, say what you use the money for. If it is for something special, like taxis or care needs, write this down too.</p>			
<p>Other</p>			
<p>Other</p>			
<p>TOTAL</p>			

Step 3 – Working out your spending

Phone

- You need to include your ongoing phone bills here.
- If you have been disconnected, treat the bill as a non-priority credit debt and include it in **Step 5**.

Phone	Weekly £	Monthly £	Notes
Home phone			
Mobile phone(s)			
Other phone			
TOTAL			

Travel

- People in your household may need to think carefully about what your total household travel costs are.
- You need to include the costs of travel to work, school and for shopping.
- Do you have extra travel costs because of a disability or because you live in a rural area?
- Make sure you include all the costs of running a car if you have one.



Information

Two cars?

If you have more than one car, you need to write this in the notes. Ask your adviser about this as you may need to explain to your creditors why you need more than one car. Creditors are likely to object to two cars appearing in the financial statement unless this is for a good reason, for example, disability-related mobility needs, or that two vehicles are the only way that two working adults can get to their separate workplaces.

Travel	Weekly £	Monthly £	Notes
Public transport			
Taxis and other travel			
Car insurance			
Road tax			
Fuel			
MOT and car maintenance			
Breakdown or recovery			
Parking charges or tolls			
Other car costs			
TOTAL			

Step 3 – Working out your spending

Housekeeping

Housekeeping	Weekly £	Monthly £	Notes
Food and milk			
Cleaning and toiletries			
Newspapers and magazines			
Cigarettes and tobacco			
Alcohol			
Laundry and dry cleaning			
Clothing and footwear			
Nappies and baby items			
Pet food			
Other			
Other			
TOTAL			

Other expenditure

Other expenditure	Weekly £	Monthly £	Notes
<p>Health Don't forget the cost of dental treatment, glasses and sight tests as well as other prescription expenses for the whole household. Could you get help with these expenses? Ask your adviser.</p>			
<p>Health insurance</p>			
<p>Repairs and house maintenance Don't forget routine house repairs, repairs to washing machines, maintenance contracts etc.</p>			
<p>Hairdressing and haircuts</p>			
<p>Cable, satellite and internet</p>			
<p>TV, video and other appliance rental</p>			
<p>School meals and meals at work Check to see if you are entitled to free school meals. If you need more help, ask your adviser.</p>			
<p>Pocket money and school trips</p>			
<p>Lottery and pools etc</p>			
<p>Hobbies and leisure This might include clubs, pubs, outings, sports, gym membership etc</p>			

Step 3 – Working out your spending

Other expenditure (continued)

Other expenditure	Weekly £	Monthly £	Notes
Gifts Don't forget Christmas, birthdays, charity donations etc			
Vet bills and pet insurance			
Other Use these boxes to list other essential outgoings you may have.			
Other Use these boxes to list other essential outgoings you may have.			
Other Use these boxes to list other essential outgoings you may have.			
TOTAL			

Step 4 – Dealing with your priority debts

What are priority debts?

Some debts are more important than others. The law gives different creditors different ways of getting their money back. **If you don't act quickly some creditors could:**

- take away your home;
- cut off your gas or electricity;
- send the bailiffs to take items from your home; or
- ask the magistrates' court to send you to prison.

The most common priority debts include:

- Rent and mortgage
- Second mortgage or secured loan
- Magistrates' court fines
- Council Tax
- Maintenance or child support
- Gas and electricity
- Hire purchase or conditional sale.



Warning

Don't panic.

You will always be given warning and, as long as you act quickly, you should be able to stop these things happening.

What shall I do next?

You need to talk to your adviser to make sure you have arrangements in place to pay each priority creditor before you make offers of payment to any non-priority creditors. See **“non-priority creditors”** on page 21. **If you need more help, ask your adviser.**

- Use the **“priority debts”** table on page 20 to list all your priority debts. This will help your adviser, who will need to include this list on the summary financial statement they send to your creditors.
- We have listed the most common priority debts in the **“priority debts”** table on page 20.
- You will need to add in any other priority debts you have in the spaces at the end of the table. For example, you may have more than one secured loan, or have income tax, National Insurance or VAT debts that you need to include.
- With hire-purchase or conditional-sale agreements, you do not own the goods until you have paid the last instalment. This means that if you fall behind with payments, the creditor may be able to repossess the goods. The most common sort of goods on hire-purchase or conditional-sale agreements are cars. **If you have this type of agreement, talk to your adviser about what to do.**
- In the **“amount you owe”** boxes write down how much you currently owe. Check your most recent bill or contact the creditor to find out how much you owe.
- If you have made an offer of payment include this in the **“repayment offer”** boxes.
- It is important to write down if you pay this every week or every month. You can put this in the **“notes”** boxes. Make sure your adviser knows about this. **If you need more help, ask your adviser.**

Step 4 – Dealing with your priority debts

List your priority debts



Remember

You should only include arrears on priority payments in the table below.

If you are up to date with a payment you do not need to write it down here.

Priority debt	Amount you owe £	Repayment offer £	Notes
Rent			
Mortgage			
Secured loan or second mortgage			
Magistrates' court fines			
Council Tax			
Maintenance or child support			
Gas			
Electricity			
Hire purchase or conditional sale			
Other			
Other			

Step 5 – Dealing with your non-priority debts

What are non-priority or credit debts?

These include lots of different types of debts where the creditor hasn't got extra powers (for example, they cannot take your home). This means they do not have to be treated as a priority. **The most common credit debts include:**

- Credit-card debts
- Personal loans with finance companies
- Bank and building society loans, overdrafts and credit cards
- Charge cards
- Catalogues
- Personal debts to friends and family
- Doorstep-collected loans
- Credit sale agreements
- Trading cheques or vouchers.

What shall I do next?

- You need to write down all your credit debts in the **“non-priority debts”** list on page 22. This will help your adviser, who will need to include this list on the summary financial statement they send to your creditors.
- Write each creditor down in the **“name of creditor”** boxes on page 22. If the debt has been passed on to a collection agency, write the name of the most recent collection agency you have heard from as well.
- Include how much you owe to each creditor in the boxes on page 22. Check your most recent statement or contact the creditor to find out how much you owe. List the figures in the **“amount you owe”** boxes.
- Have any creditors taken any county court action against you? In the **“county court judgment”** column, you need to say, for each debt, whether or not there is a county court judgment.
- If you have any county court judgments and you know how much the court has ordered you to pay every month, put this in the **“notes”** boxes. If the court has ordered you to pay more than you can afford you can apply to have the payments reduced. **If you need more help, ask your adviser.**

Step 5 – Dealing with your non-priority debts

List your non-priority debts



Information

The debt may be in your name, someone else's name, or you may owe the money jointly with someone else. Remember to write down whose name the debt is in below.

Name of creditor	Name of collection agency	Amount you owe £	County court judgment? Yes or no	Whose name is the debt in?	Notes

Name of creditor	Name of collection agency	Amount you owe £	County court judgment? Yes or no	Whose name is the debt in?	Notes

What happens next?



Information

You need to look at your budget in detail and decide with your adviser what the best option is for you to deal with your debts. This will depend on lots of factors such as your level of debts, whether you have any assets, and how much you can afford to pay back to your creditors.

- When you have finished your draft budget plan you need to talk to your adviser.
- There are guidelines for reasonable amounts of spending in your budget and you may have to explain to your creditors the reasons why any spending is over the guideline amounts in certain areas.
- Your adviser will agree the figures with you and transfer them to a final version of your budget plan called a “**summary financial statement**”.
- Your adviser will work out what offers of payment you can afford to make and agree these with you.
- The summary financial statement will go to your creditors with a covering letter explaining your circumstances and asking them to accept your offers of payment.



Remember

If your creditors keep contacting you at unreasonable times of the day, or keep asking you to pay more than you can afford, tell them you are getting advice. **If you need more help, ask your adviser.**

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