

painting by numbers

a personal budget planner
and guidance notes



introduction

A study from Insurance giant AXA discovered that around one in three adults – and that is over 12 million people – do not plan their finances at all. Those who do spend on average just five minutes a month reviewing expenditure. But just 15 minutes reviewing finances each month resulted in real benefits in reducing spending, increasing saving and planning to achieve our personal goals in life.¹

Painting by numbers is a short practical guide to preparing and revising a personal or a household budget. It includes a one page budget planner and simple guidance notes on preparing a budget.

before you start to paint

- ➔ To read more on budgeting see '**Beyond Jordan: a biblical perspective on budgeting**'
- ➔ If you are not confident about preparing a budget don't hesitate to ask for help from family, friends or church.
- ➔ If you prefer to use an online budgeting tool see <http://www.stewardship.org.uk/resources/budgetbuilder>



¹ www.axa.co.uk/avenue Only a quarter of people (26%) have a budget they follow regularly (Financial Planning 7/9/09)

the importance of budgeting

A dog is for life - and so is a budget. The discipline of budgeting is for everyone: those in debt, those facing a life change from a birth to a bereavement, from redundancy to retirement. A budget is foundational to taking control of money which is so essential to our well-being, and to the exercise of faithful stewardship which is so essential to our spiritual well-being. A personal or household budget is the key tool if we are to take control of money and not let money control us. In summary a budget:

- paints an accurate picture of our finances: we know how much is coming in and how much is going out. This may seem obvious but millions spend more than they earn each month.
- helps us make informed choices about our spending: we are able to make the difficult trade-offs in our choices which are harder to make in the heat of the moment.
- establishes priorities: by making us focus on our priority payments, those items which carry a penalty for non-payment (e.g. income or council tax) and those items which really do matter to us, such as saving for a wedding anniversary holiday.
- makes money go further: because good planning resists casual spending.
- anticipates problems while there is time to address them or make adjustments.
- helps us reach our life goals.
- puts us back in control of our finances and helps us on the road to finding “financial freedom”.
- is a spiritual tool for Christians which reminds us whose money we are managing.



about the budget planner

The budget planner is simply a tool to help you put together a personal or household budget. If the paper-based version works for you, great. If you prefer to use an online budgeting tool then see www.stewardship.org.uk/resources/budgetbuilder. Use a pencil and rubber; don't be afraid to start again. Adapt this planner and over time you may well develop your own approach.

- a first budget is always tough and always takes time. Don't give up! It becomes much easier once you get the hang of it and get your paperwork in order.
- you will not necessarily spend in every category; you may have other expenditure categories. Change the “other” or blank headings to suit. If you are confident using Excel you may prefer to use the spreadsheet version on our website (see above).
- the planner is colour-coded like traffic lights to indicate priority payments based on the seriousness of what will happen if you don't pay, for example, council tax or rent/mortgage.
- the planner has two columns. Use the left-hand column for your initial budget estimates and the right-hand column for revising your budget after your first attempt.

- Link your budget to how you receive your income or benefits. Most people find it easier to use a weekly budget if they are paid weekly and a monthly budget if they receive their salary monthly or match benefit income. Self-employed people may prefer an annual or half annual budget possibly based around the tax year.

guidance notes to preparing a budget

It sounds so easy! Just make a list of what you spend your money on each week (or month)...add it up...compare the total with your income... what could be simpler? But if you've tried it, you'll know that there's more to preparing a budget than meets the eye and how is it that, despite your best efforts, there always seems to be less in your pocket/purse/bank account than you thought there was?

Follow the **FIVE STAGE PROCESS** and, over a period of five or six weeks, you will establish a budget that reflects your true spending pattern.

stage 1

- For at least one month keep a personal record of spending (see **Taking Care of the Pennies** for more help on this). Write down everything you spend and include your variable spending: cash, ATM withdrawals, credit and debit card and cheques.
- Get your paperwork in order. It takes time and can be frustrating but it must be done.
- If you are preparing a household or family budget, **everyone** must record his or her spending. If you have children, make it easier by giving them a fixed amount and simply recording that sum.
- Complete the income section on the budget sheet. Your income should be net, i.e. after tax and National Insurance deducted.



stage 2

- Review all your bills—electricity, gas, water, phone, broadband, Council Tax, mortgage, rent etc. Include anything you pay directly from your bank account by Direct Debit or Standing Order.
- For annual bills divide by 52 to get a weekly figure or 12 to get a monthly figure.
- Sometimes water rates and/or Council tax are paid by 8 or 10 monthly instalments. Use the monthly instalment figure you will actually pay which means that for some months you will have some money left over.
- Go through your bank statements and identify any other regular expenditure that hasn't already been included, such as subscriptions, health costs, etc.
- Study your calendar and diary and note all birthdays for which you buy gifts. Work out how much you need to put aside each week/month to pay for these. (It's probably more than you think!)
- Look back at your credit card and bank statements and any borrowing from last Christmas and add up all the costs associated with the festive season. Don't forget to include food and drink ... and work celebrations. Divide this sum by 52 or 12 to decide how much you need to set aside.
- Go through all your statements: credit card, bank and mail order catalogues etc, to see how much you spend on clothes, shoes, car, holidays etc. Again, work out how much you will need to allow in your budget.

stage 3

- The budget planner is colour-coded like traffic lights. Review the red priority areas (housing costs/utilities) and amber section (other important items) to see that no areas have been missed by accident.
- Then review all the items in the outgoings columns on the planner. Is there anything that you sometimes spend money on that hasn't yet been included? How about things like holidays, the car, or emergency household repairs?
- Has your car expenditure included petrol, road tax, MOT, insurance, breakdown cover and repair costs?
- You might want to allow a fixed amount in your budget to meet unexpected expenditure. Washing machines, cookers, fridges, cars may need repairs or replacement.



stage 4

- Complete the last section on the budget sheet to see what money is left over each week / month.

stage 5

- If you spend more than you earn then look to see if there are any ways to increase your income or reduce your outgoings and put these figures in the “revised” column.
- If you don’t spend more than you earn it is still good practice to review your budget and make sure that your budget not only reflects your current expenditure but also your life goals. Use the “revised” column to do this.

worried about debts?

If you simply cannot make your budget balance and you have debts that you cannot pay then don’t panic. Free, independent, confidential debt support and advice is available:

- Telephone: Step Change (the new name for the Consumer Credit Counselling Service) offer a Freephone service on 0800 138 1111
- Internet: click to www.stepchange.org/debtremedy.aspx for an online debt resource from Step Change
- Face to face: Your local CAB; your local Authority; a church based debt centre
- www.capuk.org (Christians Against Poverty – use the postcode search facility)
- www.communitymoneyadvice.com (use the postcode search facility)

surprised by a surplus!

Even if you are comfortably in surplus at the end of your budget it is always worth doing a thorough revision of your budget. A budget is not just about financial survival but about the quality and commitment of our stewardship of all God has entrusted to us. Take the time to review the budget and to ask some hard questions about lifestyle because each spending decision is a spiritual decision. Above all look afresh at your giving. Is it proportional to your lifestyle and income? Does it bless the church that nurtures your faith and release it in ministry and mission? Does it resource Christian ministry in this country and overseas. Is it the hallmark of your personal financial discipleship?

conclusion

You have just taken the most important step to sorting out your personal finances. It will benefit you practically in managing your money, emotionally in relieving money anxiety and spiritually in helping you exercise faithful stewardship. But a budget that gathers dust on the shelf is worse than useless. **Monitor** your budget making sure you are keeping to your spending plans. If you are facing a life change such as marriage, retirement or a baby then make sure you completely **review** your budget to reflect the changes ahead.



STEP 1	Income	Income
	* weekly / monthly	* weekly / monthly revised
Wages or salary (take home)	_____	_____
Partner's wages or salary (take home)	_____	_____
Tips or commission	_____	_____
Other earnings (net)	_____	_____
Maintenance or child support	_____	_____
State/private/work pension(s)	_____	_____
Income Support	_____	_____
Jobseeker's Allowance	_____	_____
Sickness Benefits (e.g. IB, ESA & SSP)	_____	_____
Working Tax Credit	_____	_____
Child Tax Credit	_____	_____
Child Benefit	_____	_____
Housing Benefit / Council Tax Benefit	_____	_____
Interest	_____	_____
Boarders or Lodgers	_____	_____
Other Benefit Income	_____	_____
Other income	_____	_____
[1] Total Income	<input type="text"/>	<input type="text"/>
STEP 2	Outgoings	Outgoings
Housing costs / Utilities	* weekly / monthly	* weekly / monthly revised
Mortgage payment	_____	_____
Rent	_____	_____
Mortgage endowment payments	_____	_____
Second mortgage / other secured loans	_____	_____
Council Tax	_____	_____
Water rates	_____	_____
Service charge or ground rent	_____	_____
Buildings / contents house insurance	_____	_____
Life insurance	_____	_____
Gas	_____	_____
Electricity	_____	_____
Other fuel costs	_____	_____
Other possible priority Items		
Maintenance or child support payments	_____	_____
Court fines	_____	_____
Hire Purchase / Conditional sale	_____	_____
TV rental / licence	_____	_____
County Court Judgements (CCJ)	_____	_____
Tax / National Insurance (non PAYE)	_____	_____
[2] Total housing & priority items	<input type="text"/>	<input type="text"/>
STEP 3	Outgoings	Outgoings
Other Important Items	* weekly / monthly	* weekly / monthly revised
Religious and Charitable giving	_____	_____
Home phone & mobile phone(s)	_____	_____
Pension / AVC payments	_____	_____
other	_____	_____
[3] Total other items	<input type="text"/>	<input type="text"/>

STEP 4	Outgoings	Outgoings
Everyday expenditure	* weekly / monthly	* weekly / monthly revised
Food & alcohol / Housekeeping	_____	_____
Newspapers & magazines	_____	_____
Public transport (work, school, shopping)	_____	_____
Car road tax	_____	_____
Fuel (Petrol, Diesel, Oil etc.)	_____	_____
Car insurance	_____	_____
Car service; MOT; repairs; breakdown cover	_____	_____
Childcare, pocket money, school trips	_____	_____
School meals and meals at work	_____	_____
Pets (food & vet's bills, insurance)	_____	_____
Cigarettes & tobacco	_____	_____
Clothes & footwear	_____	_____
Household items (repairs, replacements etc)	_____	_____
Health costs (e.g. dentist, eye tests)	_____	_____
Other 1	_____	_____
Other 2	_____	_____
Other 3	_____	_____
[4] Total everyday expenditure	<input type="text"/>	<input type="text"/>
STEP 5	Outgoings	Outgoings
Other expenditure	* weekly / monthly	* weekly / monthly revised
Entertaining, eating out	_____	_____
Holidays	_____	_____
Savings	_____	_____
Gardening	_____	_____
Hobbies/leisure/sport/gym etc.	_____	_____
Gifts, e.g. birthdays	_____	_____
Christmas presents etc.	_____	_____
Courses and professional fees	_____	_____
Credit Card payments	_____	_____
Loan repayments	_____	_____
Catalogue payments	_____	_____
other 1	_____	_____
other 2	_____	_____
other 3	_____	_____
[5] Total other expenditure	<input type="text"/>	<input type="text"/>
STEP 6	* weekly / monthly	revised
[BOX 1] Total Income	<input type="text"/>	<input type="text"/>
[BOX 2] Housing costs / priority items	_____	_____
[BOX 3] Other Important Items	_____	_____
[BOX 4] Everyday Expenditure	_____	_____
[BOX 5] Other Expenditure	_____	_____
[6] Total Outgoings (=box 2,3,4 &5)	<input type="text"/>	<input type="text"/>
Money Left Over BOX 1 - BOX 6	<input type="text"/>	<input type="text"/>