

If you're on a low income or struggling to make ends meet, you might need some help with budgeting. If you're in debt, you'll also need to know if you've got enough money to start paying your debts off.

HOW TO WORK OUT YOUR BUDGET

To do this, you will need to work out how much money you've got coming into your household and how much you need to spend. This is called your budget. Once you've worked out your budget, you'll be able to see how much you've got left over to pay off your debts.

LISTING YOUR INCOME

The first thing you need to do to work out your budget is list all of the money coming in to your household. Be honest and make sure that the amounts are realistic.

The list of your income should include:

- wages or salaries for your partner and yourself. Put in your net earnings, after tax, pension and any other deductions. This should be the amount you regularly receive. If the amounts are different each month, average them over three or six months
- any benefits you are paid, including child benefit and tax credits
- maintenance from an ex-partner for you or your children. Include any child support from the child support agency
- contributions from other members of your family and any lodgers.

HOW MUCH YOU SPEND

The next thing you need to do to work out your budget is list all your expenses. Be honest and make sure that the amounts are realistic.

Under expenses, you should include:

- housekeeping – include realistic amounts for what you spend on food, toiletries, school dinners and meals at work, cleaning materials, cigarettes, sweets, children's pocket money and pet food
- housing costs – this should include mortgage or rent, a second mortgage or secured loan, buildings and contents insurance, service charges and life or endowment insurance cover attached to your mortgage
- council tax
- gas, electricity and water charges
- telephone charges
- travel expenses – include both public transport and the cost of running a car such as road tax, insurance, and maintenance
- insurance that is not part of your housing costs (see above)

- childcare costs
- TV licence and any TV rental costs
- clothes
- any other essential expenses, such as medical and dental expenses or support for an elderly relative
- money you should set aside for unexpected events and contingencies. This includes saving for things like the replacement of essential household goods when they break down.

When you make a list of your expenses, think about whether you can make any cutbacks. If you can make cutbacks, this will make more money available for you to pay back your debts.

You will use your budget later on to show the people you owe money to (your creditors) what you can afford to pay towards your debts. If a creditor thinks the amount you spend on something is unreasonable, they may question it and ask you to explain why you spend this amount or to prove that you do.

If you're sure the amount you spend on something is reasonable, it's a good idea to include a short explanation in a covering letter to your creditors. This will make it easier for creditors to accept your budget.

The things that creditors most often ask about are:

- Telephone costs – you can include an amount for a home phone and a mobile but if everyone in the household has a mobile it can soon add up. Think about whether you need them all and ways to reduce the bills. Maybe you can do without the home phone and just use mobiles.

- More than one car – creditors are likely to object to two cars in your household unless you have a good reason. This could be because someone in your household has mobility needs due to disability or age, or because it's the only way that two working adults can get to their separate jobs.
- Other expenses – creditors will accept reasonable amounts for other necessary expenses such as repairs and house maintenance, hairdressing and haircuts, cable, satellite and internet, TV, video and other appliance rental, school meals, pocket money and school trips, hobbies and leisure, Christmas and birthdays, vet bills and pet insurance.

If a creditor does question your spending, take another look and see if it's something you can reduce or do without. But don't just change it, otherwise you may not be able to keep to your budget. Ask yourself what would happen if you went without the item or cut it back. If it's not essential, you may be able to change it. If you can't, go back to the creditor and explain why you can't. Ask the creditor to reconsider their position.

Once you've listed all your income and expenditure, add up the figures and see if you've got any money to spare to pay back your creditors.

If you've got money to spare, you'll need to work out how you're going to pay off your debts. You will also need to:

- sort out how much money you owe
- work out which debts are the most urgent ones for you to pay off
- deal with the most urgent debts as a matter of priority

- look at your options for dealing with the less urgent debts
- contact your creditors and make arrangements to pay back what you owe.

If you don't have any spare money to pay off your debts you should seek advice (see below) as your options will be limited and you may require specialist advice.

HELP TO SAVE ACCOUNTS

A Help to Save account is a type of savings account. It allows certain people who receive Working Tax Credit or Universal Credit to get a 50p bonus for every £1 they save over 4 years. You get your bonuses at the end of the second and fourth years.

You can save any amount between between £1 and £50 each calendar month. You can pay in as many times as you like, but the most you can pay in each calendar month is £50. For example, if you've saved £50 by 12 January you won't be able to pay in again until 1 February.

You don't have to pay money in every month and you can withdraw money from your Help to Save account into your bank account. You can close your account at any time but if you close your account early you'll miss your next bonus and you won't be able to open another one.

Your Help to Save account will close 4 years after you open it. You won't be able to reopen it or open another Help to Save account. You'll be able to keep all the money you've saved plus bonuses.

To find out more about Help to save accounts visit www.gov.uk/get-help-savings-low-income

Money worries?

Don't know where to turn for help?

We have a team of money advisors who offer **free, confidential money advice** that is designed to find a solution that works for you. We can help you plan a budget, ensure you are getting all the benefits you qualify for and offer ongoing support so you don't struggle again.

This is a free service so call us on **0345 60 20 540** and ask to speak to a money advisor.

