

Let's Talk



How to make a budget

Due to the cost of living crisis, budgeting is now more important than ever for many of us and January is a great time to look at your expenses for the year. Budgeting involves creating a plan on how to spend and save your money, it is the fundamental step in achieving financial literacy, which should lead to financial security and greater choices. This may help you meet your personal and financial goals in life.

Why should you budget?

By putting together a budget plan you'll have a clearer picture of what will be coming in each month and what's going out and what money you have spare. It's a good idea to start by working out your monthly income, outgoings, debts, discretionary spends and any large expenses you have coming up in the future. It is important to review your budget on a regular basis or at the very least when you have a change in circumstances to see where you can make savings and ensure that you are getting the best value for items such as your energy bills, car insurance and mortgage.

Your correctly produced budget is a very precise tool for analysing your finances. It will be able to answer 2 questions, 'Do I spend more than I earn?' and 'What can I afford to spend?'

Once you are aware of how much you have coming in and going out you can then start to put together your budget and establish how much you have left for savings.

Use our budget calculator [here](#) to help you manage your money.

With the increases in the cost of living, it's more important than ever to understand your finances and budget accordingly.



Review your current spending

When looking at your budget there are several ways you can reduce the current amount you are spending,

this may include looking at how much you spend on your weekly food shop to decreasing your monthly utility bills or reducing the cost of your annual general insurance or even your mortgage repayments.

You may be able to save on your utility bills. An easy way to keep track of the best deals available is to use sites such as [uswitch](#) [click here](#) or join cheap energy club through [money savings expert](#) by clicking [here](#).



Tips on how to produce an accurate budget

- Allocate some time as this is not a quick task, it'll probably take a few hours to complete.
- Get together all bank statements for at least the last 3 months, preferably 12.
- Decide who your budget is for, just for you or for your whole household.
- Be as accurate as possible with your figures, don't underestimate your expenditure, if you're unsure, go larger rather than smaller.
- Distinguish between commitments and spending.
- Ensure you include annual expenses as well as monthly spending, for example, your car MOT, service and tax as well as birthday, holiday and Christmas costs.
- Remember you may save money on your monthly costs whilst you're on holiday, for example, on food and fuel.
- Set yourself a daily spend limit based on how much disposable cash you have each month.
- Whatever you have left at the end of the month move into a saving account or plan.

If you are spending more than you earn or if you just want to spend less and save more, read our [How to spend less guide](#) [here](#)

Keeping track of your spending

In order to know how much money you have spent and have left, make sure you check your bank balance on regular basis.

Moving to a more digital era (cashless) makes it easier to manage your money. Most banks have apps available that provide you with transaction info including checking your balance whenever you want from a mobile device. Also most banks now offer a text notification service if your account balance falls below a certain amount of credit.

Budgeting Apps

There are now a number of budgeting apps that can be accessed through your smart phone. Many of these apps can now connect electronically to your bank accounts to make it easier to manage your spending and budgeting effectively without having to flip through a number of different mobile banking apps.

Reviewing your budget

It is important to review your budget on a regular basis or at the very least when you have a change in circumstances to see where you can make savings and ensure that you are getting the best value for items such as your energy bills, car insurance and mortgage if you have one.

Ideally you should review your finances annually, if nothing has changed of note in the last 12 months.

In reality, we see large changes to our lives happen pretty regularly, so its recommended you review your finances every time your circumstances change.

A change in circumstances could be a pay increase, a move to a new work location, a new home, a separation, a new partner, a new baby. Anything that changes your day to day dynamic should trigger a review of your finances.



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