

How a simple budget plan can help with debt

What's a budget plan and how will it help me?

If you're aiming to reduce your debt or build your savings, knowing how to effectively manage your budget should always be your first step.

Making a budget, sometimes referred to as an Income and Expenditure form (I&E), will allow you to:

1. See how much money you have coming in and where it's going out.
2. Check if you're paying for something you don't need.
3. Show your creditors (the companies or people you owe money to) how much you can afford to pay them.

So, how do I create a budget?

We've tried to make the process of making a budget planner as easy as possible for you by building a blank Income & Expenditure Plan [here](#).

What do I need to include in my budget?

The most important part of creating a household budget is making sure you're as honest, transparent and realistic as possible.

You'll need to include everything you have outgoing to accurately see how much you have leftover to pay towards your debts, while still having enough money to live on.

You should also work out which of your debts are priority. These are debts that could cause more serious issues if you weren't to pay them and include things like council tax, rent or mortgage arrears.

We've tried to make the process of making a budget planner as easy as possible for you by building a blank Income & Expenditure Plan [here](#).

Should your circumstances change, like if you decide to cancel your gym membership or downgrade your Netflix subscription, you'll need to keep your budget plan updated with the latest figures.

How do I work out my monthly income?

At times, creditors may ask to see a copy of your budget and it'll need to include a monthly income.

If you don't get paid monthly, don't worry; working out your monthly income is simple.

How do I work out my monthly income?

At times, creditors may ask to see a copy of your budget and it'll need to include a monthly income.

If you don't get paid monthly, don't worry. Working out your monthly income amount is simple.

I get paid weekly...

When you're paid weekly, all you need to do is:

Weekly income x 52 (paydays in a year) ÷ 12 (months in a year)

For example, if you're paid £20 a week, it would look like this:

Your weekly income	x	Paydays in a year	÷	Months in year	=	Your monthly income
£20		52		12		£86.67

I get paid every fortnight...

If you receive £200 every two weeks, simply change the number of paydays in a year to 26.

Your fortnightly income	x	Paydays in a year	÷	Months in year	=	Your monthly income
£200		26		12		£433.33

What should my budget tell me?

Once completed, you'll be able to see your income and outgoings – meaning you'll be able to see if you have more money going out than coming in (known as a [deficit](#)).

If this is the case, there are steps you can take, such as:

- Making sure you're claiming the income you're entitled to by using our [benefits calculator](#).
- Checking to see if there's anywhere you can cut back on costs, like subscriptions or utilities. If you're unsure what to look for, our specialist [BudgetSmart](#) tool can help.

Once you've done that, if you're still in a deficit, you'll need to explain your situation to your creditors, and they'll talk to you about the help and support they have available.

Remember: don't be pressured into making payments to your unsecured debts that you can't afford.

What if I'm not in a deficit?

Great news! If your budget shows that you're in a positive balance, or surplus, it means you have some money left over each month after paying for all your outgoings.

If this happens, there are steps you can take to get your finances back on track.

- Use your new budget to work out how much you owe to your [priority debts](#), and then calculate how much you'll be able to pay towards them.
- Speak with your creditors to explain that you're experiencing financial difficulties. If you're unsure what to say, you can use our [letter templates](#) to help.

Remember, if you're unable to keep up with repayments, our team are here and ready to help.
