

Beginner's Guide to Managing Your Money

Taking the time to manage your money better can really pay off and is essential in knowing exactly where your finances are on a day to day basis. It can help you stay on top of your bills and save £1,000s each year. You can use these extra savings to pay off any debts you might have, start saving for your short, medium and long term goals, put some towards your pension and/or spend some.

How To Set Up A Budget ?

Do you have more than one bank account? New services mean you can now see all your accounts in a single banking app.

The first step to taking control of your finances is creating a budget planner. It will take a little effort, but it's a great way to get a quick snapshot of the money you have coming in and going out.

Setting up a budget planner means you're:

- Less likely to end up in debt.
- Less likely to get caught out by unexpected costs.
- More likely to have a good credit rating.
- More likely to be accepted for a mortgage or loan.
- Able to spot areas where you can make savings.
- In a great position to save up for short, medium and long term financial planning goals - a holiday, a new car, house purchase, starting a business, saving for retirement, protecting liabilities.

What You Need ?

Over half of UK households keep a regular budget. Most say it gives them peace of mind about how much they are spending, and makes them feel better about life in general.

To get started on your budget planner, you'll need to know your household income and work out how much you spend on:

- Household bills.
- Living costs.
- Financial products (insurances, loans, credit cards, mortgages).
- Family and friends (presents & gifts).
- Travel (car costs, public transport).
- Leisure (holidays, sport, restaurants).

A great way to work out your budget is with a free and easy-to-use a budget planner. Just grab as much information as you can about your income and spending (bills, bank statements) and get started.

You can save your information and come back to it anytime you like. Alternatively you can set up a budget using a spreadsheet or just write it all down on paper. There are also some great free budgeting apps available and your bank or building society might have an online budgeting tool that takes information directly from your transactions.

Getting Your Budget On Track

If you have more money coming in than going out then this is the best starting point. If you're spending more than you have coming in, you need to work out where you can cut back.

This could be as easy as making your lunch at home, or cancelling a gym membership you don't use. You could also keep a spending diary and keep a note of everything you buy in a month. Or, if you do most of your spending with a bank card, look at last month's bank statement and work out where your money is going.

In managing your finances effectively, it can be sensible to hold two separate bank accounts. One where your income is paid into and one where all household bills are paid from. In practice you can set up a recurring standing order to pay an amount equivalent to your household bills each month from your 'income' account into your 'bills' account. This way whatever is left in your 'income' account is the amount you have available to setting your short, medium and long term financial planning goals.

These goals may be to protect your liabilities or family against death, serious illness, loss of income. It may be to build up a deposit for a house, that dream holiday, setting up or expanding a business or building funds for retirement.

Get Everyone Involved

Get everyone in your family involved with keeping to a budget. Sit down together and make a plan that you can all stick to. Work out how much spending money is available and agree between you what you'll each have.

Cutting Your Household Bills & Your Mortgage

For many of us, household bills make up a large chunk of our spending. The good news is that it's easy to save hundreds of pounds off your bills by reviewing insurances, energy suppliers, household shopping and using comparison sites to see where you may be able to save. You can also save hundreds and even thousands of pounds by shopping around for a new mortgage, or reviewing the one you already have.

Any savings generated can then be focused on building up savings, which can then in turn help you to create your Life Plan – a means of setting out your short, medium and long term financial planning goals.

Be Flexible

Life is unpredictable so try to review your budget and your spending if there's a change, or at least every couple of months. You might get a pay rise, which means you can save more, or you might find your household bills increase.

Paying Off Loans & Credit Cards

If you have loans or owe money on credit cards it usually makes sense to pay off the debt that charges the highest rate of interest first.

Examples include:

- Credit cards.
- Store cards, which normally charge the highest rates of interest.
- Personal loans from the bank, which normally charge a lower rate of interest than credit or store cards.

It is important to make sure you don't break the terms of your agreements. So even if you're focusing on paying down another debt, you must pay at least the minimum on any credit cards and your monthly required payments on any loan agreements.

Getting Help If Debt Problems Become Serious

If you've already missed credit card or loan payments or if you're behind with so-called 'priority debts' such as your:

- Rent.
- Mortgage.
- Court fines.
- Energy bills.
- Council Tax.
- Child support.

Take advice from a free debt advice charity straight away. Find out [Where to go to get free debt advice](#).

Set Your Goals

Tony Walker Financial Planning Services can help you through our Life Plan service, which helps to show how your savings will grow. Some people find it hard to get motivated about saving, but it's often much easier if you set a goal.

Your first step is to have some emergency savings – money to fall back on if you have an emergency, such as a boiler breakdown or if you can't work for a while. Try to get three months' worth of expenses in an easy or instant access account.

Don't worry if you can't save this straight away, but keep it as a target to aim for. The best way to save money is to pay some money into a savings account every month. Once you've set aside your emergency fund, possible savings goals to consider might include:

- Buying a car without taking out a loan.
- Taking a holiday without having to worry about the bills when you get back.
- Having some extra money to draw on while you're on maternity or paternity leave.

Investing Your Savings

As your savings start to grow, you can:

- Put more money into a pension. It's a great tax efficient way to make sure you'll be able to live more comfortably later in life.
- Make an investment plan based on your goals and timeframes.

You should be aware that investments carry varying degrees of risk and as their underlying value can fall as well as rise you may not get back the full amount invested.

The purpose of this article is to provide technical and generic guidance and should not be interpreted as a personal recommendation or advice.

For further information please feel free to contact us on the details provided or request to book a no obligation consultation online by filling in our enquiry form.